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Pensions & Investment Age

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ERISA

10 YEARS LATER

ERISA: Eroding or holding its ground?

By Joel Chernoff

WASHINGTON — In a Rose Garden ceremony on Labor Day 1974, President Ford signed the first comprehensive law regulating private pension plans in the United States: the Employee Retirement Income Security Act.

Ten years later, those involved in the long and arduous process of creating and passing the landmark law agree ERISA is a great success story, although some see signs of erosion. ERISA perhaps is one of the most notable regulatory acts of the Congress when the concept of big government was starting to face serious challenge, they say.

"The abuses were there and had to be stopped," said David Allen, a former aide to Sen. Lloyd Bentsen, D-Texas. ERISA imposed minimum standards for participation, vesting and funding, and set uniform fiduciary standards. It created an agency to insure benefits where terminating pension plans are underfunded, and established individual retirement accounts for non-covered employees.

Despite the surge in plan terminations following its passage, plan growth and coverage have risen sharply since 1975.

A special section on the 10th anniversary of ERISA starts on page 61. Joel Chernoff, Washington editor, coordinated the section. He and staff reporter Fred Williams researched and wrote the stories.

From 1975 to 1983, the number of defined benefit plans in existence more than doubled, to 236,000 from 107,000; participants covered grew to 40.2 million from 33 million, according to the Department of Labor. Defined contribution plans have grown more rapidly, to 540,000 from 233,000.

Nevertheless, some members of the pension community have been questioning whether ERISA's standards in the investment area are being eroded by relaxed attitudes toward the role of plan assets in corporate operations.

In passing ERISA, Congress worried some companies had forgotten the purpose of creating pension funds. "Specifically, we were concerned about such things as the philosophy that regarded pension funds as part of corporate profit centers," said Michael S. Gordon, who served as a key staffer for former Sen. Jacob Javits, R-N.Y., at a 1978 conference.

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Late news

PacTel selects two

SAN FRANCISCO — Pacific Telesis Group reportedly is bringing in at least two new managers — Pacific Investment Management Co. and Chase Investors Management — to run portions of its $3 billion in employee benefit assets.

Sources said PIMCO has been selected to run roughly $350 million in fixed income. However, they added the account might be a temporary parking spot for some or all of those assets. Chase as equity

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Pensions & Investment Age

Termination is gaining acceptance

By Joel Chernoff

WASHINGTON — The pace of terminations of overfunded pension plans has leveled off, but the actions increasingly are becoming an accepted part of corporate life.

Plan terminations have become a valued source of corporate financing, whether used to help bail out a troubled firm, to finance corporate expansion or to reduce debt as part of a merger or acquisition agreement.

Statistics compiled by the Pension Benefit Guaranty Corp. show the agency received filings to terminate 163 plans involving estimated reversions of $1.87 billion from Dec. 5, 1983, to July 10, 1984.

Completed terminations since 1980 have involved 212 plans with asset reversions totaling $1.74 billion as of June 10, according to a PBGC list. Total assets in the plans prior to termination added up to $4 billion.

However, the pending terminations include long-expected and much-publicized ones by Celanese Corp., New York, and the Great Atlantic & Pacific Tea Co., Montvale, N.J., which were expected to return $300 million and $275 million respectively to the companies.

Firestone Tire & Rubber Co. recently filed for termination, and expects to recapture $250 million to $300 million in excess assets, making it one of the largest reversions on record (*see story, page 5*).

Another seven plan terminations, involving five companies, account for $318 million in expected reversions. Recent filings were made by Diamond International Corp., which expects a $60 million reversion; Cameron Iron Works Inc., due a $71.7 million recapture; Valley National Bank of Arizona, $51 million; Armour Food Co., $91 million; and Harshaw/Filtrol Partnership, $33.9 million. That leaves 154 plan terminations expected to return $978 million to their plan sponsors.

"There has been no significant difference in the trend of termination activity since the announcement of the administration's policies" April 4, said David Walker, PBGC deputy executive director.

That policy gave companies the green light to replace defined benefit plans with similar plans, and

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Assets to fund dedicated portfolio

Chrysler pulling back on realty

By Mark Westerbeck

DETROIT — The $1.6 billion Chrysler Corp. pension fund is liquidating its investments in open-end real estate funds and is considering cashing out of its closed-end real estate investments.

If that happens, Chrysler would be the first pension fund to withdraw from closed-end funds run by JMB Institutional Realty Corp. and The RREEF Funds.

The moves out of real estate are necessary to help fund Chrysler's decision to set up a huge dedicated bond portfolio.

Chrysler officials said they have had preliminary discussions with their real estate advisers about liquidating the closed-end investments.

However, a spokesman for the automaker said it "conceivably" might stay with these investments "if it's best to stay in real estate ... We don't want to do it unless it's beneficial."

The spokesman acknowledged "it could be years," and certainly months, before the company could liquidate its closed-end holdings.

A representative of Prudential Asset Management labeled its PRACE-I, a closed-end fund in which Chrysler retains a small investment, "illiquid."

On June 30, Chrysler withdrew its stake in Prudential's PRISA and PRISA-II, two open-end commingled funds.

"At this point, we don't have any reason to believe they want to get out of the closed-end account," said Charles J. Payne, director of marketing support.

Chrysler has expressed a desire to get out of real estate in light of its decision in July to move a large share of assets — $1.1 billion — into dedicated bond portfolios (*Pensions & Investment Age*, Aug. 6).

At that time, $450 million that had been in equities, $200 million cash and a $456 million corporate contribution were used. Chrysler acted to lock in high bond yields, substantially reducing its pension liability and future contributions.

As much as $200 million was spread among six real estate managers at one point, but the total assets in property are less now. The real estate and $300 million in actively managed and pre-

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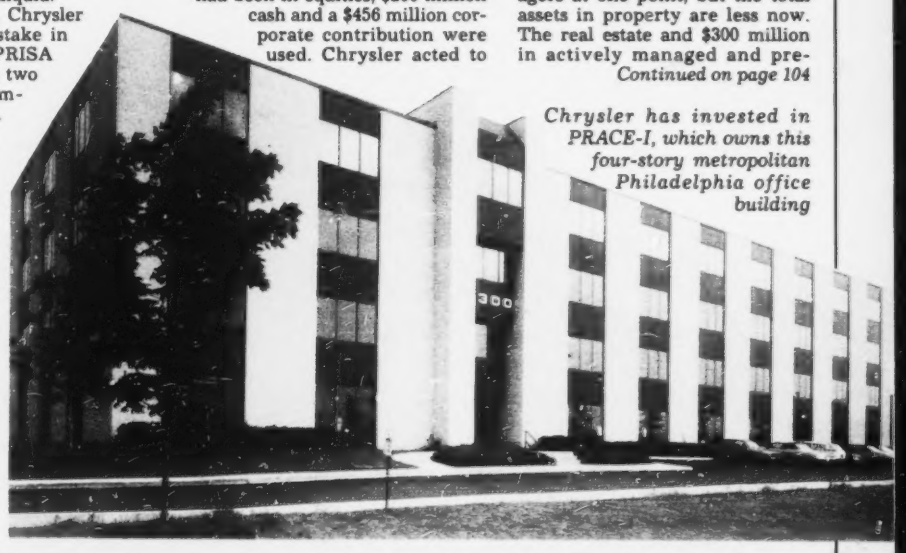

Chrysler has invested in PRACE-I, which owns this four-story metropolitan Philadelphia office building

Oregon Employees ousts McGoffin

James McGoffin

By Steve Hemmerick

SALEM, Ore. — James McGoffin has been terminated as director of the $4 billion Oregon Public Employees' Retirement System and dropped from the Oregon State Investment Council.

The dismissal came Aug. 17 after a weeklong closed-door investigation turned up questions about his travel expenses, job attendance and pension staff morale.

In demanding his resignation, the system trustees said "the board no longer had faith and confidence in the director's ability to carry out the needs of the board." The pension board voted 5-0 in favor of his dismissal.

Speaking by telephone from his home, Mr. McGoffin denied any wrongdoing, and said he is "very disappointed they didn't recognize the talent and the services rendered."

The investment council makes all the investment decisions for the state pension system.

Mr. McGoffin had been appointed to one of five seats on that council by the employees' retirement system's board of trustees.

Trouble began for Mr. McGoffin when word leaked out about an audit of his travel expenses by the staff of the Oregon secretary of state's office.

Norma Paulus, secretary of state, said she testified before the pension board's closed-door personnel session concerning the expense reports.

Ms. Paulus said she would not comment until the audit report was finished.

However, sources told *Pensions*

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Bank could lose teachers' assets

By Steve Hemmerick

NEW YORK — Manufacturers Hanover Investment Corp., a top performer in fixed income for the long term, probably will lose $7.5 billion, and could lose all $8 billion, in California teachers' pension money it has been managing for the past 13 months.

This month, the $12 billion California Teachers' Retirement System is expected to pick its first permanent fixed-income managers (*see related story on page 14*).

So far, Manufacturers is a finalist for only one of two $500 million long-term accounts up for grabs from the fund. It is not a finalist in the "moderate market timer" fixed-income category.

"It would be odd to lose the whole thing," admitted William C. Petty, vice president and client contact for Manufacturers. Originally, he thought his firm might be in the "catbird seat" to keep some of the teachers' money permanently, but now he is wondering.

In July 1983, the Santa Monica-based consulting firm Wilshire Associates picked Manufacturers to temporarily run the teachers' entire fixed-income portfolio when the fund's plan for in-house investment collapsed.

The job was to be for six months, but was stretched out when the trustees ran into additional problems. In that time, the fund has had three executive officers, a new chief investment officer and a change in the composition of the trustees, including a new chairwoman, Judith Powell.

Also, consulting on manager selection was turned over to Frank Russell Co., Tacoma, Wash., a firm some bankers believe doesn't favor banks as managers.

Another problem is short-term performance. According to Pensions & Investments' Performance Evaluation Report, Manufacturers

William C. Petty

is in the first decile of the PIPER fixed-income universe for the 10-year period ended June 30, and the second decile for five years.

But for the one-year period ended June 30, its performance has hit the bottom 20%, in what Mr. Petty calls a tough year. He knows the firm has good long-term performance, but he adds, "The question often is, 'What have you done for us lately, or what can you do for us now?' " ■

$300 million allocated

Colt sets dedication

By Barry B. Burr

NEW YORK — Colt Industries Inc. took away $300 million from its nine money managers to set up dedicated bond portfolios yielding around 14.2%, the company said.

Colt now has about $400 million, or 80%, of its pension assets in dedicated bond funds.

Its first dedication was done in 1982.

Speaking of the latest dedication, Daniel D. Chabris, assistant treasurer, said, "Real interest rates were very attractive." Figuring a 4% inflation rate, he said the real return on the portfolios is about 10.2%.

He was unable to say what effect the dedication will have on the pension plan's assumed rate of return and on Colt's annual pension contribution and expense for next year.

During the past three years, other investment decisions have enabled Colt to cut its pension expense and annual contributions by 60%, the company said.

The plan is roughly 134% overfunded on a termination basis. Mr. Chabris said the latest available data, as of Jan. 1, 1983, shows the plan had assets of just less than $500

Colt Industries

million and vested and non-vested liabilities of $213 million.

The dedication was set up in May by First Boston Corp., he said. The $300 million was placed in three dedicated portfolios, the longest maturing in 2014.

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Energy partnership refuels

By Fred Williams

DALLAS — The first oil and gas investment vehicle to be aimed at pension funds has weathered the oil industry slide and a management shake-up to regain a measure of respect from investors, its competition and industry observers.

American Gas and Oil Investors was put together by Heafitz, Widmann McMahon & Gardner, a private financing organization, as the general partner, and First Boston Corp. as the placement agent for the limited partnership offerings.

AmGO I and II closed in November 1981 and April 1983, respectively, after having raised a total of $180 million. A small amount yet remains to be invested, but is expected to be fully invested by the end of September.

The heyday for AmGO I was during the months immediately after it hit the market in the spring of 1981, when the worldwide oil and gas drilling boom was in full swing.

AmGO I had commitments of $144.3 million at its closing in 1981. Investors included the pension plans at International Business Machines Corp., Kaiser Aluminum & Chemical Corp., Atlantic Richfield Co. and Gulf and Western Inc.

AmGO II closed in 1983 after receiving commitments of $35 million, far below the original target of $50 million to $100 million.

The problems for AmGO began when the general partners found themselves awash in cash during a difficult time in the oil business and had to stop investing the funds. This occurred during the widespread decline of the oil and gas business, the bottoming out of oil prices, the industry shakeout in drilling activities both offshore and in deep gas areas.

All of that, coupled with the collapse of the Penn Square Bank, had ramifications throughout the petroleum industry and the financial community in general.

Heafitz, Widmann began investing the funds in 1981 and into the summer of 1982. Then, it ran into the market slide and had to withdraw some of its commitments and sit on some of the assets.

The result was rumors that the AmGO funds couldn't be invested.

The partnership was roundly criticized for investing too much too quickly and without conducting sufficient due diligence activities and investigating some of the operators with whom it did business, some of whom later filed for bankruptcy.

"They got in at the peak of the market and, like everyone else, they expected oil prices to rise dramatically. The deals they did suffered because of it," said an official of a competing oil and gas investment business.

"We were fortunate and didn't have any money to invest then. They had a lot of money and grew too quickly," he said.

The turnaround at AmGO seems to have started with the arrival of John Hill and William Macaulay, who bought out Bruce Heafitz's 35% interest in the general partnership (*Pensions & Investment Age*, Feb. 21, 1983).

"Bringing in the new management seems to have pleased their clients, and they seem to be doing much better now," said the competitor.

Mr. Hill took over as managing director in December 1982. He promptly began restructuring the AmGO investment portfolio, trimmed the staff at First Reserve Corp. (the new name of the manag-

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Late news

Continued from page 3

manager is expected to get about $50 million.

Reportedly, Crocker Investment Management Co., one of 11 firms inherited by PacTel from American Telephone & Telegraph Co., might be losing some, if not all, of the more than $400 million in stocks and bonds it manages.

It could not be determined if more than two new managers had been selected or if the assets were to be drawn from existing managers. Richard Holmes, director of investment management at PacTel, and officials at the investment firms declined comment.

Nabisco Brands hires

PARSIPPANY, N.J. — Nabisco Brands has hired two international managers to manage about 5% of its $435 million pension fund and added an additional real estate manager, according to James A. Reavis, director of pension asset management. Effective Oct. 1, N. M. Rothschild & Sons, London, and Globe Finlay Inc., New York, each will manage $10 million to be invested outside the United States. In addition, Nabisco will invest $10 million in Copley Real Estate Advisors' developmental real estate partnership.

Florida adds realty

TALLAHASSEE, Fla. — The $7 billion Florida State Board of Investment has committed to Goldman, Sachs & Co.'s open-end fund and LaSalle Partners Inc.'s second closed-end fund, said Douglas Bennett, real estate portfolio manager.

With these commitments and additional investments made to the six open-end funds Florida selected late last year, Mr. Bennett estimated the system now has more than $420 million in equity realty.

In-house unit spun off

CAMBRIDGE, Mass. — Polaroid Corp. has spun off its in-house investment unit into a separate subsidiary that will seek outside balanced and fixed-income accounts, said Edward R. Bedrosian, vice president and treasurer.

Edward M. Safran, Polaroid's assistant treasurer, has been named president of the unit. Two other professionals also will be hired. Mr. Bedrosian, who is chairman and chief executive officer of the subsidiary, Merganser Capital Management Corp., said it was spun off because of its outstanding fixed-income performance. The subsidiary is registering with the Securities and Exchange Commission.

Lyon to terminate

AURORA, Ill. — Lyon Metal Products Inc. hopes to recapture $11.3 million from the termination of its pension plan for salaried and non-union employees.

The company cited adverse business conditions as the reason for terminating the plan, which it will replace with a profit-sharing plan, according to a company official.

Foxboro Co. commits

FOXBORO, Mass. — The Foxboro Co. pension fund committed $2.8 million last week to the open-end equity real estate fund run by Copley Real Estate Advisors. Copley was selected over open-end vehicles managed by Equitable Real Estate Investment Management and CIGNA Capital Advisers Inc.

The amount was the balance of the company's annual contribution to the fund.

Personnel moves . . .

• STAMFORD, Conn. — John Meuser has been named director of pensions and benefit finance at Pitney Bowes Inc.

Mr. Meuser joined Pitney Bowes in 1960 and most recently had been director of capital resources.

Charles McBride, former director, has been named senior corporate financial planner.

• ST. PAUL, Minn. — John Allers has been named interim executive director of the Minnesota Public Employees' Retirement System. The former executive director, Mike McClaren, was appointed chief executive officer of the California State Teachers' Retirement System. Mr. Allers has been with the Minnesota retirement program for the past 10 years as a member of the board of trustees.

• NEW YORK — James Coughlin has joined the renamed Retirement System for Savings Institutions, formerly the Savings Banks Retirement System, as vice president of investments. He replaces Edward Macheski who resigned last month to join Carret & Co.

Mr. Coughlin formerly was vice president-investments with Manufacturers Hanover Trust Co.

The system is changing its structure as well as its name and will register with the Securities and Exchange Commission later this year as an open-end investment trust.

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Glut of office buildings flattens rental income

By Steve Hemmerick

LOS ANGELES — Pension fund executives can expect flat or declining rental income on office buildings in many cities as the nation suffers possibly the worst office overbuilding spree in 10 years.

Several real estate experts put the blame for overbuilding on banks and some insurance companies in providing developers with too much money for big new office buildings.

"I doubt the vacancy rate for office buildings in some cities has been that high before in modern times," said Bill Hinkley, a vice president with Coldwell Banker Commercial Real Estate Services, which tracks office and industrial building vacancy rates.

Cities especially hard hit are Denver, where the office vacancy rate in downtown areas was 28.1% and in suburban areas was 26.5% in June, and Houston, where the downtown office vacancy rate was 21.1% and the suburban rate, 30.7%. (Other cities' vacancy rates are listed in the accompanying chart.)

Nationally, the office vacancy rate for the quarter ended June 30 was 13.5% in downtown areas and 18.1% in suburban areas. This compares with national office vacancy rates of about 5% in 1980 and 1981 when many sponsors were first investing in real estate.

Worse yet, dozens of buildings are in the construction or planning stage, and could add to severe problems in the months ahead.

For example, Atlanta has 45 million square feet of top-grade office space. Of that, 6.2 million square feet, or 13.6%, is vacant, according to Christopher D. Budden, executive vice president with Richard Ellis Inc., which invests in U.S. real estate for foreign pension funds.

But, he said, another 9.2 million square feet of office space is under construction, of which only 1 million square feet is leased.

Mr. Budden said he is glad 50% of his assets are in retail real estate, where there is often an undersupply, although he said he needs to buy office buildings for diversification.

Yet there are "very few markets where we would invest at this moment," for office buildings, he added.

In many cities rental income, the only income plan executives will see from office buildings until the buildings are sold, is expected to be flat or declining for the next two years.

Appraisals on buildings, subjective assessments of a building's current value, might make pension fund performance reports on real estate portfolios look better than can be expected.

Some office vacancy rates are about as "high as back in the mid-70s," said Claude Ballard, a partner with Goldman, Sachs & Co., New York. The real estate market was thrown into a tailspin in the mid-70s, when a deep recession struck the economy and real estate investment trusts, many of which had been borrowing to buy buildings, found themselves with high vacancy rates and little reserve cash.

Yet one of the most conservative of real estate investors, The RREEF Funds, had declining income on two of its seven funds for the second quarter of this year, said Paul Sack, principal.

RREEF, which has $1.6 billion invested in real estate, buys buildings for cash, using no borrowed money, and only when they are fully or almost fully occupied.

Mr. Sack explained the primary problem isn't that office buildings owned by pension funds are becoming vacant, but they would lose tenants to newer buildings if they didn't keep rents competitive.

Real estate experts also said that in cities especially hard hit with vacancies, free rent is given by owners who also must make building or office improvements to satisfy tenant tastes. The cost of building improvements drives down rental income, to say nothing of giving free space.

Not all cities are facing high vacancies in office buildings. For example, in mid- and

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Downtown office vacancy rate

Atlanta	14.5%
Boston	4.6
Charlotte	13.8
Chicago	10.8
Cincinnati	10.1
Dallas	16.2
Columbus	13.1
Indianapolis	11.9
Los Angeles	11.8
Kansas City	9.9
Miami	15.5
Minneapolis/St. Paul	9.1
Nashville	17.0
New Orleans	20.6
Oklahoma City	14.2
Philadelphia	9.6
Phoenix	16.9
Portland	20.8
Sacramento	23.0
St. Louis	9.5
San Diego	17.4
San Francisco	8.6
San Jose	9.1
Seattle	14.2
Tampa	9.6
Washington, D.C.	10.5
Toronto	13.9

Source: Coldwell Banker

Firestone to recapture $250 million

By Barry B. Burr

AKRON, Ohio — Firestone Tire & Rubber Co. expects to recapture $250 million to $300 million by terminating its pension plan for salaried employees.

That likely will make the Firestone reversion one of the three biggest ever and the largest since the Reagan administration issued new termination guidelines.

Firestone will replace the plan Sept. 1 with another defined benefit plan offering the same benefits.

J. Robert Anderson, chief financial officer, said Firestone will recapture between $250 million and $300 million. In a filing with the Pension Benefit Guaranty Corp., Firestone estimated a reversion of $280 million.

Mr. Anderson declined to give the amount of assets and liabilities of the plan or the number of its participants. But its PBGC filing listed the market value of the plan's assets at $609 million as of June 30. It said it has 25,837 active participants and 6,636 retirees.

Firestone managed the assets of the terminated plan in-house, Mr. Anderson said.

Unclear is whether the termination will affect Firestone's internal investment staff.

An executive who declined to be named said, "It's a logical conclusion. If you decrease the amount of money under management, then you won't need as many managers."

Firestone has three portfolio managers: James D. Oelschlager, who also is the director of pension investments, James Reith and James Behrmann. About $400 million in pension assets, plus whatever the company contributes to the new plan, will remain for the trio to manage.

The company has in total about $1 billion in pension assets, divided among three plans, the largest of which, $609 million, is for salaried employees being terminated. Its other two plans, totaling $400 million in assets and both for union workers, are unaffected by the termination.

Unlike the salaried plan, the union plans are underfunded, Mr. Anderson said, declining to give

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Third non-cash contribution in 3 years

LTV contributes debentures

By Fred Williams

DALLAS — The LTV Corp. has dipped into the well of its own securities to make a non-cash contribution to its pension fund for the third time in as many years.

Officials confirmed LTV contributed $33 million principal amount of its 14% sinking fund debentures as part of its 1983 plan year contribution to the pension fund sponsored by Jones & Laughlin Steel Inc., a wholly owned LTV subsidiary.

The contribution was part of an overall $200 million public offering of LTV debentures and variable rate notes. Net proceeds from the public sale are expected to be $182.9 million.

In December 1982, LTV placed $25 million in sinking fund debentures into its then approximately $1.2 billion pension fund; that contribution was part of a $150 million issue (*Pensions & Investment Age*, Dec. 20, 1982).

In September 1983, LTV made its second non-cash contribution of 2 million shares of preferred stock. Another 4 million went to the public market (*P&I Age*, Sept. 5, 1983).

The newest contribution of sinking fund debentures to the pension fund is in addition to the publicly offered $100 million principal amount of LTV 14% debentures due in 2004 and $100 million principal amount of subordinated variable rate notes in 1995.

Underwriters for the public offering are Lehman Brothers Kuhn Loeb, Merrill Lynch Capital Markets and First Boston Corp.

George Simon, LTV's director of employee benefit trust administration, refused to discuss the non-cash pension contribution. He only would say the debentures would be placed in the pension trust account.

Following the 1982 contribution of debentures to the LTV fund, the $25 million portfolio was actively managed by Scudder, Stevens & Clark, Boston, which remains LTV's bond manager.

Dennis Hamilton came to LTV to direct employee benefit fund investments when LTV merged

with Republic Steel Corp. in June. He said the non-cash contribution was done to "save cash," and declined to discuss the matter further.

While the latest non-cash contribution marks the third consecutive year for such action, an insider said LTV has no established corporate policy on non-cash contributions.

He said the company examines the pros and cons of how to make pension fund contributions each year, then takes action "based on good, sound business judgment. There is no directive or corporate policy calling for non-cash contributions."

Following the merger between Republic and LTV, pension assets reached a combined total of about $2 billion.

The latest non-cash contribution amounts to about 1.5% of the total fund.

LTV officials refused to disclose the amount of the company's annual contribution to the pension fund.

The company was one of the first major corporations to make non-cash contributions to its pension fund; others quickly followed including American Airlines, U.S. Steel Corp., Reynolds Metals Co., Republic Steel, Exxon Corp., Eastman Kodak Co., Armco Inc. and Martin Marietta Corp.

Jury still out on dedication, immunization

By Barry B. Burr
and Richard J. Gillespie

CHICAGO — With more than $7 billion in dedicated and immunized portfolios already written and others recently announced, two formerly obscure fixed-income management techniques have become front-page news.

But not all pension executives are enamored of the techniques. Several already have rejected them, and a few hold scathing views about them.

The moves brought support from others, who questioned the conventional thinking that equities provide a better return than bonds.

In recent dedications, at least two large pension funds might have sacrificed some short-term gains in the stock markets. Shortly before the Aug. 1 stock market rally began, Chrysler Corp. and Bethlehem Steel Corp. together sold more than $1.1 billion in equities to purchase the bonds.

Immunized portfolios are optimized to minimize risk and lock in a target rate of return. In dedicated portfolios, the cash flow from interest and maturing bonds is matched to the schedule of pension payments, eliminating reinvestment risk.

Although dedication and immunization are different techniques for managing bond portfolios, their concepts are similar and "their terms are sometimes used synonymously," said Ray H. Stevenson, director of employee insurance and pensions at International Harvester Co. "In order to immunize, you have to dedicate."

Gary Pines, Chicago-based consultant with Towers, Perrin, Forster & Crosby, added, "I look at dedication as the process of fixing assets to fixed liabilities. And I look at immunization as one of the methods of dedicating."

"When you immunize, you decide to give up the upside potential of your equities," said Mr. Pines. "Immunization is an investment decision. It's no different from any other investment decision.

"The beauty of it is, on the liability side, the comfort of taking care of debt; on the investment side, you are grabbing a high real rate of return on investment."

At Dayton Hudson Corp., its immunized portfolios will return 11% and 14%, providing a real rate of return of 7% to 10%, considering an inflation rate of 4%.

With the immunized or dedicated bond portfolios providing high, more certain returns on pension assets, actuaries allow sponsors to increase their assumed rate of return on assets and thus reduce their contributions to the plan, said Robert L. Barnes, Chicago manager, Wyatt Co.

Bethlehem Steel said its move would cut its annual contribution by $50 million.

With dedication or immunization, contributions are cut right away, Mr. Pines said. By staying in equities and other non-dedicated investments, sponsors might earn more in the long run, also allowing cuts in contributions, he said. But the cuts come more slowly, he added.

"In general, I think immunization is a good idea, depending on the circumstances," said Kenneth R. Meyer, executive vice president, Lincoln Capital Management Co., Chicago.

He cautioned, however, about "radically changing the asset allocation," as Chrysler and Bethlehem did recently in moving much of their assets into bonds.

Overall though, he said, "A dedicated portfolio is one of the few investment products that has a high probability of meeting its investment objectives."

But Peter Dietz, senior vice president and director of research, Frank Russell Co., Tacoma, Wash., said, "I'm not sure the typical, large corporation with an ongoing pension plan ought to be in immunization."

He said equities have, in the long

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PIPER

RepublicBank Dallas fund leads special equity pools

By Rose Darby

NEW YORK — Value-oriented stock picking, with an emphasis on seeking issues out of favor with Wall Street, was the winning strategy employed by the top special equity funds in PIPER for the year ended June 30.

PIPER, Pensions & Investments' Performance Evaluation Report, has a universe of 92 bank and insurance company special equity commingled funds. In that universe, the median fund had a time-weighted total return on investment of -16.6% for the year ended June 30, while the Standard & Poor's 500 stock index lost 4.7% for the same period.

By contrast, RepublicBank Dallas, with its new Select Equity Fund, was the champion for the year, with a time-weighted total return of 32.8%.

"The concept of the fund is to use a basic valuation methodology with no attempt to buy names at all," explained H.E. Anderson, senior vice president at the bank. Benno Fisher, vice president, is the portfolio manager who runs the fund, he added.

The $2 million fund was designed as a companion fund to the diversified equity fund, said Mr. Anderson. "It is a pure attempt to focus on security selection through trying to buy value as we define it," he said.

"We look for companies that are underfollowed and underowned by Wall Street," explained Charles Gaecke, vice president, in Mr. Fisher's absence.

"We are very much contrarian types of people, even though the word is overused," he said. "We want companies with price-earnings ratios lower than the market, which will have growth rates above the market. We choose companies which are the lowest cost producers in their industry, and ones in which management owns a good portion of the company's stock."

Value Line was such an issue, he said: "It doesn't necessarily meet all the criteria, but it has a lower-than-market multiple and has superior prospects for earnings." Also, its management owns a good portion of the stock and Wall Street doesn't follow it, Mr. Gaecke said.

Gulfstream Aerospace and **Ohio Mattress** were other examples of high-flyers for the portfolio. Each company is the lowest cost producer in its industry and has low operating rates. Management holds a large share of each stock, he added.

This special equity fund is not a high-risk one, in terms of issue selection, as would be the case with an emerging growth portfolio, he said. Instead, the higher risk to which the fund is exposed is that of lack of diversification across market sectors.

Second in the running for the year was Continental National Bank in Fort Worth, Texas, with a total return of 9.4%.

A defensive strategy is used in managing the $1.3 million Total Return Equity Fund, said Frank P. Ganucheau III, senior vice president and head of trust investments.

"We try to buy low P/E stocks, with a high, sustainable return on equity, a low price-to-book ratio, backed by strong balance sheets, that are out of favor with Wall Street," he explained.

This special equity fund, as well as others that are run by Continental National, is used to provide models for the bank's separately managed accounts, he added.

Valencia Bank in Santa Ana, Calif., was third for the year, with a 4.9% total return. The Bank of Boston's Equity Yield Fund was fourth with 2.1%, and Mutual of New York's Equity Income Fund was fifth with 1.5%.

During the quarter ended June 30, the PIPER median special equity fund had a time-weighted total return on investment of -2.3%. The S&P 500 for the quarter logged a -2.6% return.

Citibank's Real Estate Stock Fund was first for the quarter with a 3.8% time-weighted total return, and Chase Manhattan's Intermediate Capital Equities Fund ran a close second for the period with a 3.7% total return.

In third place was United Virginia Bank in Richmond, Va. Its Special Equity Fund logged a 3.2% total return.

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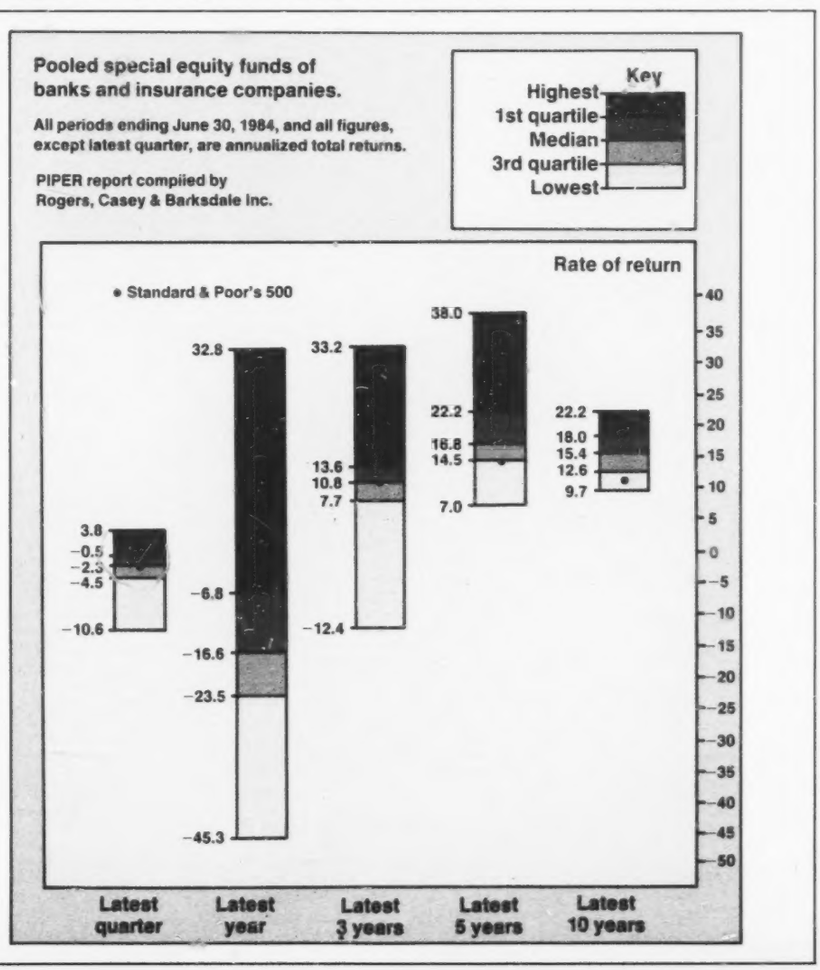

Top quartile commingled special equity funds

3-month returns

	%
Citibank, N.Y.	3.8
Chase Manhattan, N.Y.	3.7
United Virginia Bank	3.2
First Pennsylvania Bank	3.1
InterFirst Invt. Mgmt., Texas	2.0
Merchants Natl., Ind.	1.9
American Fletcher, Ind.	1.8
Citibank, N.Y.	1.7
Natl. Bank of Detroit	1.5
Sovran Bank, Va.	1.3
Citibank, N.Y.	1.0
Chase Manhattan	0.6
Connecticut Bank & Trust	0.6
Bank of America, Calif.	0.5
First of Neenah, Wis.	0.4
Pittsburgh National	0.2
Metropolitan Life, N.Y.	0.1
Sentry, Wis.	0.0
Manufacturers Hanover, N.Y.	0.0
Republic Natl., Dallas	-0.3
Central Fid., Lynchburgh	-0.3
Bankers Trust, N.Y.	-0.3
Connecticut Natl. Bank	-0.3
Continental Natl., Texas	-0.5
Natl. City Cleveland	-0.6
Provident Natl., Pa.	-0.8
First of Maryland	-0.8
Morgan Guaranty, N.Y.	-0.9
Mutual of New York	-0.9
First of Boston	-0.9
Old Second Natl., Ill.	-1.1
Chase Manhattan, N.Y.	-1.2
Mellon Bank, Pa.	-1.2
First of Chicago	-1.3
Prudential, N.J.	-1.3
Trust Co. of Georgia	-1.4
Norwest Bank, Minn.	-1.4
Central Fid., Richmond	-1.6
Citizens & Southern, Ga.	-1.6
First Natl. of Tulsa	-1.8
First Interstate of Calif.	-1.8
Lincoln Natl., Ind.	-1.8
First Trust, St. Paul	-1.8
Dauphin Deposit, Pa.	-1.9
California First Bank	-1.9
Bank of California	-2.0
Standard & Poor's 500	**-2.6**

1-year returns

	%
Republic Natl., Dallas	32.8
Continental Natl. Bank, Texas	9.4
Valencia Bank, Calif.	4.9
First of Boston	2.1
Mutual of New York	1.5
Prudential, N.J.	1.0
Wachovia Bank, N.C.	0.9
Natl. of Commerce, Tenn.	-0.6
Pittsburgh National	-1.6
Chase Manhattan, N.Y.	-1.7
Metropolitan Life, N.Y.	-1.9
Merchants Natl., Ind.	-2.4
Sentry, Wis.	-2.6
American Fletcher, Ind.	-3.5
Citibank, N.Y.	-4.0
First of Neenah, Wis.	-4.0
Manufacturers Hanover, N.Y.	-4.4
Standard & Poor's 500	**-4.7**
United Virginia Bank	-4.8
Oregon Bank	-5.0
Provident Natl., Pa.	-5.7
Mercantile Trust, Mo.	-6.1
First of Minneapolis	-6.6
Trust Co. of Georgia	-7.6
Natl. Bank of Detroit	-7.9
Old Second Natl., Ill.	-8.0
Citibank, N.Y.	-8.4
Morgan Guaranty, N.Y.	-8.8
First of Chicago	-9.5
Chase Manhattan, N.Y.	-9.8
First of Neenah, Wis.	-11.1
Manufacturers Hanover, N.Y.	-11.4
Prudential, N.J.	-11.8
Connecticut Bank & Trust	-12.0
First Interstate of Nevada	-12.3
Chase Manhattan, N.Y.	-12.6
Mellon Bank, Pa.	-13.6
Fidelity Mgmt. Trust, Mass.	-13.7
First of Maryland	-14.0
Central Fid., Lynchburgh	-15.3
Morgan Guaranty, N.Y.	-15.4
Wachovia Bank, N.C.	-16.0
Natl. City Cleveland	-16.0
First Pennsylvania Bank	-16.0
InterFirst Invt. Mgmt., Texas	-16.0
Texas American Bank	-16.4

3-year returns

	%
Security Pacific, Calif.	33.2
Citibank, N.Y.	20.5
Provident National, Pa.	20.2
Chase Manhattan, N.Y.	19.3
Natl. Bank of Detroit	18.5
First of Maryland	18.0
California First Bank	17.9
Natl. City Cleveland	17.5
Chase Manhattan, N.Y.	17.5
Connecticut Natl. Bank	17.2
Norwest Bank, Minn.	15.6
First Pennsylvania Bank	15.5
Manufacturers Hanover, N.Y.	15.4
First of Boston	14.9
Merchants Natl., Ohio	14.6
Chase Manhattan, N.Y.	14.3
Metropolitan Life, N.Y.	13.8
Central Fid., Richmond	13.7
Connecticut Bank & Trust	13.7
First of Chicago	13.6
Mutual of New York	13.4
Bank One, Ohio	13.4
First Trust St. Paul	13.3
Merchants National, Ala.	13.3
Prudential, N.J.	13.1
Bankers Trust, N.Y.	12.9
Trust Co. of Georgia	12.8
Prudential, N.J.	12.6
First Interstate of Nevada	12.5
Citibank, N.Y.	12.5
Northern Trust, Ill.	12.3
United Virginia Bank	12.1
InterFirst Invt. Mgmt., Texas	12.1
American Fletcher, Ind.	11.9
Continental Natl. Bank, Texas	11.8
Morgan Guaranty, N.Y.	11.0
Standard & Poor's 500	**10.8**

5-year returns

	%
California First Bank	38.0
Northern Central, Pa.	26.1
Norwest Bank, Minn.	24.7
Bankers Trust, N.Y.	24.6
Connecticut Bank & Trust	24.6
Bank of America, Calif.	23.4
InterFirst Inv. Mgmt., Texas	23.3
Merchants National, Ala.	23.1
Equitable Life, N.Y.	23.1
Chase Manhattan, N.Y.	23.0
Provident National, Pa.	22.8
Bank of Southwest, Texas	22.2
First of Maryland	22.2
Citibank, N.Y.	22.1
Chemical Bank, N.Y.	21.0
Natl. City Cleveland	20.9
Chase Manhattan, N.Y.	20.6
First of Chicago	20.2
First Interstate of Nevada	19.8
Citibank, N.Y.	19.2
First Pennsylvania Bank	19.0
Morgan Guaranty, N.Y.	18.6
Manufacturers Hanover, N.Y.	18.0
Metropolitan Life, N.Y.	17.9
Central Fid., Richmond	17.7
HT Investors, R.I.	16.9
Prudential, N.J.	16.8
Texas American Bank	16.8
Standard & Poor's 500	**14.0**

10-year returns

	%
California First Bank	22.2
Chase Manhattan, N.Y.	20.4
Bankers Trust, N.Y.	19.9
Provident National, Pa.	19.4
Connecticut Bank & Trust	19.2
Bank of America, Calif.	19.1
Manufacturers Hanover, N.Y.	18.2
Equitable Life, N.Y.	18.1
Morgan Guaranty, N.Y.	17.7
AmeriTrust, Ohio	17.7
Natl. City Cleveland	17.4
Republic Natl., Dallas	17.3
Citibank, N.Y.	17.3
Norwest Bank, Minn.	17.1
InterFirst Inv. Mgmt. Texas	16.8
First Pennsylvania Bank	16.3
Chemical Bank, N.Y.	15.4
Standard & Poor's 500	**11.3**

Pensions & Investment's Performance Evaluation Report is a quarterly performance evaluation service published by Pensions & Investment Age, and compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.

Real Estate Directory

Pensions & Investment Age's annual directory of real estate investment advisers drew 109 responses from money managers and consultants. The profiles include the amount of tax-exempt assets under management in equity and mortgages and the types of investment products offered.

Three major acquisitions during the past year made possible by pension fund contributions (clockwise from left): The Sarasota Hyatt in Florida, purchased by Prudential Asset Management for PRISA; the towers of Williams Square, in Irving, Texas, the 1.3 million-square-foot office complex held by Equitable Real Estate Investment Management Separate Account #8; and 500 Park Tower, the 40-story complex on Park Avenue, New York City, also part of Separate Account #8.

Prudential leads in equities, but RREEF, independents gaining

By Mark Westerbeck

NEW YORK — The Rock became more of a boulder during the past year: The Prudential Asset Management Co. solidified its status as the biggest manager of pension assets in equity real estate by generating more new business than any other adviser.

But the annual *Pensions & Investment Age* survey of real estate investment advisers also illustrated a developing change: the greater strength, in terms of equity assets under management, of the non-institutional managers.

This comes as pension funds are growing out of a 10-year initial wave of investments in broadly diversified, open-end pooled funds generally run by insurance companies and banks and moving to more specialized investing in closed-fund and direct separate account management.

In the ranking of the leading managers by "equity-oriented" assets (which combines real estate equity and hybrid debt), The RREEF Funds rose to second place from fifth, supplanting an insurance company's unit, Equitable Real Estate Investment Management, which dropped to fourth.

Of the three new entrants in the Top 10 this year, all are independents: Heitman Advisory Corp., Aldrich, Eastman & Waltch Inc. (whose association with State Street Bank represents only about one-tenth of its assets) and LaSalle Advisors Inc.

The three they replaced included advisers associated with a bank (J.P. Morgan Investment, sixth a year ago, now 12th) and an insurer (John Hancock Mutual Life Insurance Co., ninth then, 14th now). Coldwell Banker Capital Management Services dropped to 15th from 10th. Eastdil and JMB Institutional Realty Corp., two other independents, are 11th and 13th, respectively.

Other than Prudential, no insurance company or bank either held its position or advanced. Prudential has more than twice as many assets under management as the next closest adviser.

Copley Real Estate Advisors, which dropped a notch, considers itself an independent adviser but presents a special case. About four-fifths of its equity assets under management are run under a contractual arrangement with its former corporate parent, New England Mutual Life Insurance Co.

Corporate Property Investors, a real estate investment trust-based adviser, was third a year ago. CPI, it should be noted, does not have only pension fund assets; roughly $500 million comes from offshore governmental entities and financial institutions and other sources.

In an attempt to gauge the flow of activity, this year *P&I Age* asked advisers to state how much in pension assets they received in new capital commitments for the year ended June 30.

Prudential, offering a mix of open- and closed-end equity and participating mortgage funds, took in the most new business, $1.2 billion. That's more than what's totally held under management by all but seven other real estate equity advisers.

Not far behind was RREEF, which went to market with three new closed-end funds and came back with nearly $900 million by June 30 (more by the time the funds close to subscriptions).

A significant difference is the size of contribution.

RREEF's new money came from 44 pension funds, an average contribution of $20.4 million. Prudential's came from 168 sources, a $6.9 million average commitment.

That's consistently a distinction between the institutionally based and independent advisers. The bank and insurance companies still might have some of the best years overall (Aetna Life Insurance Co., Equitable and CIGNA Capital Advisers this year, for example), but their economy of effort is not as good.

Aetna had an average commitment of $3.4 million for its $609.2 million in new money and Equitable had an average commitment of $4.6 million for $526.7 million. But Aldrich, Eastman is getting $32.9 million from 15 pension funds for $494 million. Jones Lang Wootton received $400 million from just one client, the Pennsylvania Public School Employees Retirement System.

Eastdil, Heitman, Goldman, Sachs & Co., TCW Realty Advisors and NCNB

Continued on page 22

Pru, RREEF lead . . .

Continued from page 21

National Bank took 11th to 15th places, respectively, in the new-business rankings. Of the Top 15, seven are not associated with an insurance company or bank.

Another operation — Goldman, Sachs' — clearly is associated with an investment banker but is a young effort with a ring of entrepreneurial independence. TCW Realty is another that was set up by a trust company, but has grown rapidly in staff after a starting core of partners was pirated away from Coldwell Banker with a lure of a good deal and independence.

In all, 90 equity managers reported $40.288 billion in assets under management (equity and hybrid debt, both received and invested and those committed but not yet handed over).

The Top 15 U.S. advisers manage nearly two-thirds of that total — $25.5 million.

In new business, 75 advisers said they received $11.279 billion during the year ended June 30 — and Prudential and RREEF had almost one-fifth of it.

Advisers whose assets under management predominantly came from foreign pension funds were not included in the rankings, which, in particular, precluded Richard Ellis Inc. and Landauer Advisors Inc.

Foreign pension fund and non-pension fund capital are minority holdings with CPI and Heitman, and, if deleted, would not have taken them out of the Top 10.

Nineteen managers reported a total of $4.078 billion of foreign pension fund capital invested in U.S. real estate. Nos. 11 to 15 were Rose Associates, Lehndorff & Babson Real Estate Counsel, Morguard Realty Advisors, Wells Fargo Realty Advisors and CIGNA.

Responses to questions about mortgages were erratic when compared with past years. This is compounded by not enough consideration being given to the multifaceted elements of insurance company general accounts, which also is apparent by the leadership in the mortgage table.

Twenty-eight managers said they run $29.8 billion in mortgages for tax-exempt investors. Nos. 11-15 were Scudder Realty Advisors, the Union Labor Life Insurance Co., Am Cal Co., Prudential and Mellon Real Estate Investment Management Corp.

Altogether, 109 firms are profiled here, including managers with money in hand and those who would like to have some, developers and deal-makers and one consultant.

A few oddities did crop up, chiefly concerning drops in assets, which are rare.

The most conspicuous was that of Equitable, whose biggest apparent change during the year was that, like Prudential, it had its real estate advisory operation spun out into a separate subsidiary, chiefly for employee compensation reasons.

A year ago, Equitable reported $2.88 billion in equity and $344 in mortgages under management. This year, it said it had $2.33 billion in equity and $291.8 million in mortgages, including $526.7 million in new commitments. ■

Top 10 real estate equity advisors

Firm	Tax-exempt assets ($ mil.)	Clients
Prudential Asset Mgmt. Co.	$6,203.7	445
RREEF Funds	2,527.3	72
Corporate Property Investors	2,400.0*	35
Equitable Real Estate Invest. Co.	2,330.5	282
Aetna Life Insurance Co.	2,097.1	427
F.I.A. Associates	1,410.0	3
Heitman Advisory Corp.	1,406.0*	7
Copley Real Estate Advisors	1,300.0	NA
Aldrich, Eastman & Waltch Inc.	950.0	23
LaSalle Advisors Inc.	950.0	31

* Includes offshore investor holdings.
Note: For this survey, equity-related investments was defined as including both equity and hybrid debt.

Top 10 new business commitments

Firm	Tax-exempt assets committed ($ mil.)	Clients committed
Prudential Asset Mgmt. Co.	$1,154.7	168
RREEF Funds	898.0	44
Aetna Life Insurance Co.	609.2	170
Equitable Real Estate Invest. Mgmt.	526.7	115
Aldrich, Eastman & Waltch Inc.	494.0	15
Jones Lang Wootton Realty Advisors	400.0	1
CIGNA Capital Advisers Inc.	389.7	NA
JMB Institutional Realty Corp.	375.0	70
Copley Real Estate Advisors	350.0	4,000
Security Capital Real Estate Corp.	340.0	48

Top 10 foreign advisors of foreign funds

Firm	Tax-exempt assets ($ mil.)
Landauer Advisors Inc.	$610.0
Richard Ellis Inc.	592.0
Schroder Real Estate Corp.	550.0
Jones Lang Wootton Realty Advisors	400.0
Loeb Partners Realty	400.0
Heitman Advisory Corp.	300.0
Alster International	250.0
Corporate Property Investors	200.0
Jacques & Kurdziel	160.0
Debenham Tewson & Chinnocks Assoc.	150.0

Top 10 mortgage advisers

Firm	Tax-exempt assets ($ mil.)
Aetna Life Insurance Co.	$13,046.3
The Travelers	6,093.4
Bankers Life	4,200.0
New England Mutual Life Insurance Co.	1,471.0
J.P. Morgan Investment	834.0
Manufacturers Hanover Investment Corp.	800.0
Victor Palmieri and Co. Inc.	340.0
Lomas & Nettleton Advisory Group. Inc.	340.0
Equitable Real Estate Investment Mgmt. Inc.	291.8
Wells Fargo Realty Advisors	278.0

Real estate file

Real Estate: Historical Returns and Risks

An article by Robert H. Zerbst and Barbara R. Cambon, in the spring edition of the Journal of Portfolio Management, published quarterly by Institutional Investor Inc., 488 Madison Ave., New York, N.Y. 10022; (212) 832-8888; $110 a year.

The risks of real estate are pointed out here, but first comes a detailed compilation and examination of seemingly every measure of real estate returns since 1947 that could be used to sell a pension fund sponsor on the investment form.

The end returns for the various indexes are as different as the time frames they cover.

With one major exception, the authors use the extensive body of data to agree with what every real estate marketer loves to preach: Real estate appears less volatile than common stocks and corporate bonds; its returns generally equaled and usually exceeded stocks, bonds, Treasury bills and the inflation rate; and they correlate most with T-bills and inflation, worst with stocks.

However, the authors gave a closer empirical examination than can come from a straight reading of statistics, which "tend to understate the actual volatility in real estate prices. When values are set by appraisals rather than transactions, they are much more stable because the appraisals are based on the long term underlying asset value."

Further, when property values decline for a little while, fewer sales and harder marketing, rather than many transactions at lower prices, result more often.

The authors conclude "true variability" in equity real estate might not be "signficantly different" from that of stocks, although the risk is measured by how it actually performs in a portfolio. For that, there's negative correlation between the two.

Perhaps the article's strongest point is its thoughtfulness in pointing out intrinsic differences between the measures, and often their individual limitations and shortcomings.

For example, for each return measure profiled, the source of data is reported.

Included as a return study is information in an article published by Ranne P. Warner and Peter C. Aldrich in 1978, which profiled the performance of one real estate portfolio between 1970 and 1976. Its data source was just 20 properties owned by "friends of authors, institutional investors, privately held REIT, developers, real estate management group of Boston Safe Deposit & Trust Co."

At one point, Mr. Zerbst and Ms. Cambon note three separate studies by Dennis G. Kelleher, R. Bruce Ricks and John McMahan each primarily was based on mortgage loan commitment data provided by the American Council of Life Insurance.

In a chart examining returns for similar time frames, Ricks' rates are drastically lower than Kelleher's.

"Ricks assumed no growth in either the operating incomes or property values over the holding period. Thus, his returns are simply capitalization rates," the authors said.

Then, they point out the real rates of return in the McMahan study are "appreciably higher" than those in other studies, and give two probable reasons for the discrepencies.

Special care also is given to real estate investment trusts. In more than one instance, the authors point out REIT returns run both higher and lower than those of commingled real estate funds due to much greater variability caused by greater sensitivity to share prices, less to underlying real estate values that change more slowly.

REITs act more like the stocks they are than real estate, they said.

The range of returns from 1947 was -6.8% to 19.5%, but if the REITs are tossed out, the range shrinks to 1% to something more than 18%.

The writers offer relief for the sponsor who tires of real estate returns always given in the nominal fashion.

For every nominal return given — and there are dozens cited from many studies and comparisons — the real rate of return has been computed and noted directly alongside.

Readings in Real Estate

A booklet published by Consolidated Capital Communications Group Inc., 1900 Powell St., Suite 1000, Emeryville, Calif. 94680; (800) 227-1870 or (415) 652-7171. 43 pages, $3.50 a copy.

This second edition lists more than 100 newsletters, magazines, journals and books, what they are and where to find them.

Befitting the publishing arm of a leading syndicator, the list has a syndication bent and a separate section on the firm's wares, but that does not detract from the general and growing breadth of the service. Publications that don't write about real estate for their main thrust, such as *Pensions & Investment Age*, are noted as such.

This is a Good Time to Sell Investment Real Estate

An article by Anthony Downs in the April issue of National Real Estate Investor; published by Communication Channels Inc., 6255 Barfield Road, Atlanta, Ga. 30328; 13 issues a year for $42.

Mr. Downs, a frequent writer and speaker on real estate and a senior fellow at the Brookings Institution, wrote professional buyers "loaded with money," in part fueled by pension funds, made "early 1984 a super time to sell one's property."

"In most markets," he continued, "the non-residential property cycle is now close to the optimal selling point." What's at work is the end of a gradual absorption phase, which follows an overbuilding phase, and the start of a development boom phase, the best time to buy.

Mr. Downs suggested anticipation of revitalized inflation is coming sooner than usual in this recovery swing of the economic cycle, so the "optimal selling point" might be forming quicker than normal in the real estate cycle.

The author identifies four factors to be considered in determining when to sell the property. The answers to two are known only to the potential seller: the economics of the property and the economic circumstances of the owner.

The other two are external considerations Mr. Downs used to come to his conclusion that now's a time to sell: the supply and demand balance for space in the marketplace and "the pressure to buy properties caused by a large and sudden increase in the amount of money available to professional real estate buyers."

But the federal deficits have encouraged the suspicion inflation will increase, so the desire for ownership of real estate as a hedge would be encouraged early in this cycle.

The real estate markets might be primed for selling despite persistent oversupplies of space, said Mr. Downs.

The professionals are people who gain fees from investing capital in property. Chiefly, he said, they're syndicators and advisory units in large insurance companies "that manage special investment accounts for pension funds. Whenever these people suddenly find themselves entrusted with big increases in funds, they are under great pressure to buy real properties quickly."

Their livelihoods are heightened by transactions and their investors want action.

"Hence these professional buyers are 'under the gun' to purchase properties soon after receiving those funds," Mr. Downs said.

Savings and loan associations also are loaded with cash, a one-time surge that should not be counted on for the long-term. The edges tax-driven syndicators have held in the marketplace are being reduced by changes in federal laws.

"Aggressive property buying by both syndicators and savings and loans was the key factor driving property prices up and yields down during 1983. It is still operating in early 1984."

Mr. Downs concluded: "There are many, many potential buyers out there willing to pay high prices because they almost *have to buy something* (Mr. Downs' emphasis)." He added a caveat: This condition is not "likely to remain in the not-to-distant future as it is today."

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Abacus Realty Advisors Inc.

1 Post Office Square, Boston, Mass. 02109; (617) 542-5920

Abacus has $60 million in tax-exempt assets in equity-related investments: $20 million in equity and $40 million in hybrid debt.

Abacus has six direct separate accounts, all union funds, including the Massachusetts Carpenters, Laborers and Operating Engineers; Local 675 Operating Engineers; Nashville Building Trades; and New York Hotel Workers.

The adviser invests in institutional-quality developmental projects.

Consulting services are offered.

Evan Weston, vice president, is the client contact in Boston; Thomas J. Steel, executive vice president, is the contact in Chicago at (312) 346-9172.

Acquest Capital Management

300 E. Long Lake Road, Suite 280, Bloomfield Hills, Mich. 48013; (313) 645-5130

Acquest reported $16 million in new business was committed by three clients in the year ended June 30.

Overall, the adviser has $34 million under management in real estate: $26.3 million in equity-related instruments ($14.1 million in equity, $12.2 million in hybrid debt) and $7.7 million in mortgages. It is all reported invested at those amounts. No financing is used.

Acquest has five separate account clients, four corporate pension funds and one union. They include Dow Chemical, Operating Engineers Union and the Rank Organization of London.

The adviser also offers closed-end real estate funds and consulting.

It invests 40% in existing properties and 60% in developmental ones. Property types used are office and light industrial buildings, retail and hotel.

In the next year, Acquest plans to offer major institutional clients the option of direct investment in development projects with a major U.S. construction company with which it is associated.

Client contacts are David G. Ong and James E. Gorman.

Aetna Life Insurance Co.

151 Farmington Ave., Hartford, Conn. 06156; (203) 273-3482

Aetna reported 170 clients committed $609.2 million in new business for the year ended June 30. The firm has $2.1 billion in equity-related real estate under management: $1.5 billion in equity (of which all but $107.2 million has been taken in from clients) and $583 million in hybrid debt. Aetna has another $13.1 billion in mortgages.

The adviser carries just $41.1 million in financing on its investment properties. It has $175 million in commitments from foreign investors. The market value of Aetna's investment property was reported as the same amount as under management.

Aetna has 427 tax-exempt clients, up 37 from 1983: 322 corporate, 62 public and 43 union funds. There are 423 in commingled funds and four in individually managed accounts.

Aetna invests in existing industrial properties, retail, multifamily housing, office buildings, office/research and development properties and hotels.

Its diversified open-end fund manages $1.4 billion for 195 participants. The open-end participating mortgage pool runs $547.5 million for 192 pension funds.

The open-end equity-oriented mortgage fund for union-built properties has $35.5 million from 23 clients. A closed-end equity account has $111.8 million from 13 participants.

A second closed-end equity fund is open for commitments, and Aetna plans to offer a third during the coming year. Aetna also offers consulting services.

Stephen LeLaurin, manager, is the client contact.

AgriVest Inc.

500 Winding Brook Dr., P.O. Box 996, Glastonbury, Conn. 06033; (203) 659-3711

AgriVest continues to market for its first tax-exempt client. It has two taxable clients, an individual and the assets of its former corporate parent, Connecticut Mutual Life Insurance Co.

The two committed $30 million during the year ended June 30. The adviser, which invests solely in agricultural property, manages $47 million in equity, $20 million in hybrid debt and $460 million in mortgages.

The amount given over in equity is fully invested at a market value of $60 million. Market value on the other capital is the same as the managed amount.

AgriVest plans to act as an asset manager for a commingled fund trusteed by another institution.

Client contact is James B. McCandless.

Aldrich, Eastman & Waltch

1 Post Office Square, Boston, Mass. 02109; (617) 542-9300

Aldrich, Eastman reported 15 clients committed $494 million in new business for the year ended June 30.

The firm has $950 million under management in real estate equity and hybrid debt, of which $427 million is still committed. Market value of investments to date is $466 million. Financing worth $554 million has been used.

The firm has 23 tax-exempt clients, up six from 1983: 21 corporate funds, one union and one foundation or endowment. Fourteen clients are in two closed-end funds that Aldrich, Eastman advises on behalf of State State Bank and Trust Co. and one it manages itself; nine are in separate accounts.

Clients include General Motors and Digital Equipment.

The two pooled funds, which are trusteed and managed by State Street Bank, are the same ones reflected in the bank's profile.

Assets are 80% invested in existing properties and 20% in developmental ones. The adviser uses all commercial income-producing property types, including industrial, shopping centers, office buildings and multiuse complexes.

The first State Street pooled fund took in $50 million from five clients, the second $60 million from eight. Aldrich, Eastman also formed a $100 million closed-end fund for nine institutions that is a convertible surbordinated debenture covertible to a 50% interest in The Westcor Co., a major Phoenix developer.

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man plans to be involved in the third State Street Bank fund that will be offered and itself will offer a second convertible-subordinated debenture fund and possibly a real return mortgage fund.

Joseph F. Azrack, principal, is the client contact.

Alster International

111 E. 65th St., New York, N.Y. 10021; (212) 288-9420

Alster reported $70 million in new business from two clients for the year ended June 30. Including these commitments, the firm has $250 million under management in real estate equity, all from foreign pension sources. It has used $70 million in financing.

Alster's three corporate pension fund clients are in individually managed accounts and include KLM Royal Dutch Airlines. The adviser also offers consulting services.

Alster invests in existing office and retail properties.

Henri Alster, president, is the client contact.

AMB Investments

4 Embarcadero Center, Suite 3580, San Francisco, Calif. 94111; (415) 956-5100

AMB, formerly Abbey, Moghadam & Co. Inc., reported one client committed $30 million during the year ended June 30.

AMB offers direct account investment management and consulting services.

It invests in office buildings, shopping centers and industrial/research and development properties.

Douglas Abbey, president, is the client contact.

Am Cal Co.

4737 Lankershim Blvd., North Hollywood, Calif. 91602; (818) 763-6206

Am Cal received $100 million in new commitments from seven clients for the year ended June 30.

The firm has $250 million in tax-exempt assets under management: $40 million in equity (of which $26 million is committed) and $210 million in mortgages ($140 million committed). Market value on equity investments is $48 million and on the mortgages, $250 million. No financing is carried.

The firm has seven tax-exempt clients: one corporate pension fund, two public and four union funds. They include the Missouri State Employees' Retirement System, Hawaii Masons Pension Fund, Carpenters Pension Trust for Southern California, Southern California Development Foundation and Pacific Van Lines.

The firm's tax-exempt assets are 25% invested in existing properties and 75% in development properties.

Am Cal invests in commercial income-producing properties, apartments, condominiums, hotels, motels and residential tracts. Am Cal also offers consulting services.

In the coming year, it plans to develop a real estate comparison standard and offer investment advisory services to trust deparments.

S. Q. DellaGrotta, executive vice president, is the client contact.

American Agricultural Investment Management Co. Inc.

2603 W. 22nd St., Suite 17, Oak Brook, Ill. 60521; (312) 654-6816

American Agricultural manages $11 million in real estate equity, which is also the market value of its holdings. It carried $1 million in financing.

American Agriculatural has two corporate pension fund clients, reported as Owens-Illinois and Teamsters Affiliates. The firm manages $9 million for foreign investors.

It invests solely in productive farmland. The firm has two closed-end group trusts completed, and is marketing a third, which will remain open until June 30, 1985, or until $50 million is committed. American Agricultural also offers separate account management.

The client contact is H. Joseph Bourn, executive vice president.

Angeles International Advisors Inc.

10301 W. Pico Blvd., Los Angeles, Calif. 90064; (213) 277-4900

Angeles International, a recently formed subsidiary of the Angeles Corp., manages real estate investment portfolios for U.S. tax-exempt clients and foreign institutions. It invests in existing apartment, office building and shopping center properties, but offers no information on assets or clients.

Its services include consulting, individual account management, limited partnerships and closed-end commingled funds.

A long-time syndicator, Angeles has sponsored limited partnerships with investments carrying a book value of $400 million and a market value of $700 million.

Angeles said it is developing a closed-end group trust to make or acquire participating mortgages.

Mark W. Gibello, president, is the client contact.

b

The Bankers Life

711 High St., Des Moines, Iowa 50307; (515) 247-5111

Bankers Life, which solicits from a broad network of small corporate and other retirement accounts, reported 1,000 tax-exempt clients committed $145 million in new business for the year ended June 30.

The firm manages $83 million in real estate equity and $4.2 billion in mortgages. It used $2 million in financing.

The mortgages are held in the firm's general account, which is supplied by about 70% corporate pension funds and similar retirement funds and about 30% individual retirement accounts and other tax-exempt vehicles for individuals.

Bankers Life managed an open-end equity real estate fund that has $18 million in net assets from 121 tax-exempt clients.

Bankers Life reported 14,000 tax-exempt clients in its commingled fund, including 10,000 corporate pension funds, 450 public and 250 union.

Bankers invests in existing office buildings, shopping centers and industrial and residential properties.

The insurer also offers individual account management.

Dan J. Fitzgerrell, director-pension operations, is the client contact.

Bank of America Investment Real Estate

180 Montgomery St., Suite 2300, San Francisco, Calif. 94104; (415) 622-3960

Bank of America reported 47 clients committed $15.1 million in new business for the year ended June 30.

The firm manages $152.3 million: $146.3 million in equity and $6 million in hybrid debt. Book value of equity assets invested was $114.7 million and market value $128.3 million. Financing valued at $18.5 million has been used. The firm also has invested $152.3 million for foreign investors.

The firm has 203 corporate clients, 201 in a $100 million open-end commingled fund and two in direct separate accounts.

Assets are invested in existing office buildings, shopping centers, light industrial buildings and research and development facilities.

Bank of America has government approval to start a closed-end pooled fund.

Also, it plans to become more aggressive in marketing the fund/partnership concept to bring two or more funds together in a partnership for direct purchase of properties.

Jack Cooper, vice president and manager, is client contact.

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Bank One Trust Co.
100 E. Broad St., Columbus, Ohio 43271; (614) 463-5676

All $9.6 million of real estate assets under management by Bank One Trust are in its open-end real estate fund, which serves 80 corporate pension fund clients including Lancaster Colony, Rax Restaurants, W.W. Williams and Worthington Industries.

The trust company reported new business of $1.8 million from 11 clients for the year ended June 30, although the total amount of clients dropped by eight from the previous year.

All assets are invested, and the bank carries $4.1 million in financing on its properties.

Bank One invests in existing commercial and industrial properties in the $1 million to $3 million range, including office buildings, business centers and multitenant warehouse structures.

It also makes available direct account investment management.

Client contact is Donald W. Kennedy, assistant vice president.

The Boston Co. Real Estate Counsel Inc.
1 Boston Place, Boston, Mass. 02106; (617) 722-7190

The Boston Co. manages $458 million in hybrid debt that has a market value of $493 million. Financing valued at $118 million has been used.

The adviser has seven corporate pension funds and one public in direct, separate accounts. They include the Teacher Retirement System of Texas, Owens-Illinois and Schering-Plough.

Assets are 90% invested in existing properties and 10% in developmental ventures.

Property types used include office buildings, industrial and retail properties and hotels.

Robert A. Radloff, president, is the client contact.

Alex. Brown Realty Advisors
5-7 N. Calvert St., Baltimore, Md. 21202; (301) 727-3884

Alex. Brown had $200 million in new business committed for the year ended June 30 from its two pension fund clients, the Oregon Public Employees Retirement System and the Teacher Retirement System of Texas.

Including these commitments, Alex. Brown has $450 million under management, all in hybrid debt. The adviser offers direct separate account investment management.

Alex. Brown invests in existing office and industrial buildings and hotels.

George W. Browne, president, is the client contact.

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Dallas, TX 75251 (214) 386-5677

Cambridge Realty Capital
55 W. Monroe, Chicago, Ill. 60603; (312) 853-2914

One-year-old Cambridge became registered as an investment adviser with the Securities and Exchange Commission in June.

It is negotiating with stock and bond investment advisers on forming joint venture relationships and will market to the pension fund community. It will offer a contrarian real estate investment strategy.

Jeffrey A. Davis, managing principal, is the client contact.

Chase Investors Management
1211 Avenue of the Americas, New York, N.Y. 10036; (212) 730-3760

Chase has $61 million in equity-related real estate under management in a commingled fund. This includes market value of $8.2 million in equity real estate and $20.8 million in hybrid debt; plus another $32 million in cash and short-term instruments, of which $13.6 million has been committed to equity properties and $7 million to hybrid debt.

Chase also has $1.1 billion (gross property asset value) invested for offshore clients in U.S. property, none of which is for foreign pension funds.

Chase has seven corporate pension funds in its pooled fund, including General Motors, Celanese and the Chase Manhattan Bank.

The pool is a combination open- and closed-end fund, by which participation is cut off once assets reach $150 million. About a dozen major metropolitan areas are considered for property acquisition.

Existing office buildings and research and development business parks are used; regional shopping centers, multi-family residential properties and joint venture developments might be used as the fund grows.

Henry W. Haunss Jr., vice president, is the client contact.

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Chemical Bank
277 Park Ave., New York, N.Y. 10172; (212) 310-6212

Chemical Bank has $44.3 million under management from eight corporate and two union pension funds, all in its open-end equity real estate fund.

A year ago, the bank reported $46 million in net assets and no new business was listed for this year. Clients include the Chemical Bank retirement plan, Barnes Group, Avco Corp., Shulton, American Hoechst and Warner Lambert.

Of the $44.3 million in the fund, the $34 million invested in equities carries a market value of $35.1 million; the $300,000 in mortgages have a market value of $500,000, and the $11 million in hybrid debt is valued at $12.2 million.

Chemical Bank is carrying the $12.4 million balance in cash instruments and financing of $12.1 million. Gross value before mortgages is $60.2 million.

All investments are in existing shopping centers, office buildings and warehouses.

For the open-end fund, it offers an opportunistic investment approach based on market selection, which last year meant middle market cities, now shifting to selected regional centers.

In addition to the open-end fund, the bank offers consulting and direct account management.

Chemical Bank manages [illegible] million for foreign investors, up [illegible] million from a year earlier.

Client contact is Anne G. Shean, vice president.

Chestertons
30 Rockefeller Plaza, Suite 1929, New York, N.Y. 10112; (212) 765-1540

Chestertons, a U.K.-based real estate firm, is gearing up to market its direct advisory and consulting services in the United States, probably by the first quarter of 1985.

It has two tax-exempt U.K. clients investing in U.S. property, one a corporate fund, and Deansbank Investments Inc., the U.S. investment subsidiary of the Church of England.

These clients committed $45 million for the year ended June 30.

Overall, Chestertons reports $95 million under management in real estate equity and $40 million in hybrid debt. Of the $40 million invested in equity, market value of the investments was $42 million; of the $20 million already contributed for hybrid debt, market value was $24 million. The properties had $7 million in financing.

Chestertons invests 75% in existing properties and 25% in developments. Property types include office buildings, research and development properties, warehouses and regional malls.

Client contact is James J. Brinkerhoff, partner.

CIGNA Capital Advisers Inc.
950 Cottage Grove Road, Hartford, Conn. 06152; (203) 726-3634

Fostered by activity in two new closed-end funds and a direct separate account, CIGNA registered $389.7 million in new business for the year ended June 30, raising to $571 million its tax-exempt assets under management.

The open-end account for ERISA funds holds $302 million garnered from 320 clients (286 corporate funds, 22 public and 12 union). The closed-end fund for ERISA plans has $50 million from three clients and is about half invested following the strategy for fully leased properties.

Another closed-end fund, targeted to foundations and endowments, has taken in $52 million and has commitments for another $75 million, from 10 clients. Another $43 million is run for foreign pension funds in a commingled account.

In addition to 330 clients in commingled funds, CIGNA lists one separate account worth $50 million..

CIGNA invests totally in existing properties, including retails, industrial, apartments, office buildings, agribusiness properties and in some cases hotels.

CIGNA is considering a participating mortgage account and specialty closed-end funds for the coming year.

Thomas John, vice president for sales, is the client contact.

Citicorp Real Estate Investment & Management
153 E. 53rd St., New York, N.Y. 10043; (212) 559-1709

Citicorp reported $600 million under management in real estate equity, a $100 million increase from a year ago. It carries $250 million in financing on its investment properties. Citicorp also has invested $2 billion is U.S. real estate on behalf of foreign investors.

The adviser has 48 clients in commingled funds and six separate accounts. It offers open- and closed-end funds, and is marketing its second closed-end pool for participating first mortgages, which has $40 million in commitments.

Citicorp invests in existing income-producing commercial real estate.

Client contact is John W. Kemble.

Coldwell Banker Capital Management Services
533 Fremont Ave., Los Angeles, Calif. 90071; (213) 613-3123

Coldwell Banker has $580 million in real estate equity assets and $72.2 million in hybrid debt; book value of those assets is $479 million and $65.1 million, respectively.

Of the $652.2 million in assets, $447.4 million is in six closed-end funds. Financing on the properties totals $60 million.

In the past year, Coldwell successfully liquidated its first closed-end fund, the first real estate manager to do so, and is in the process of raising capital for the eighth, scheduled to close Dec. 1.

Of the 39 tax-exempt clients, 35 are in the commingled funds and four are in direct, separate accounts. There are 31 corporate pension funds, four public, one union and three foundation and endowments, and include AT&T, ITT, Alcoa, the City of San Francisco and the Edna McConnell Clark Foundation.

Coldwell invests 70% in existing properties and 30% in developmental projects. Office buildings, industrial and retail are the target property types.

Client contact is James G. Nugent, senior vice president, 437 Madison Ave., Suite 420, New York, N.Y. 10022; (212) 207-6120.

Copley Real Estate Advisors
535 Boylston St., Boston, Mass. 02116; (617) 578-4900

Copley reported $350 million in new commitments on the year ended June 30 from 4,000 clients. In all, it managed $1.3 billion of tax-exempt assets in real estate equity, the market value

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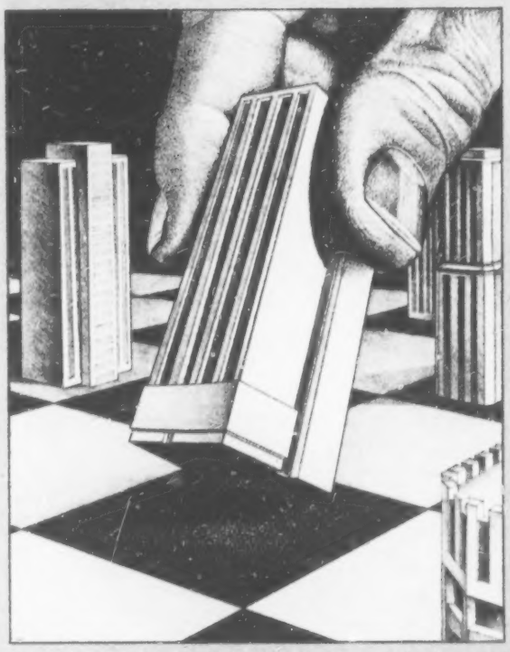

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The Realty Group has the resources to create leasing programs that can yield high returns. Last year alone, tenants were found for over 15 million square feet of office space.

The nationwide capabilities of The Prudential Realty Group means it has the local contacts to put together strong leasing programs. And the likelihood is that one of the many regional offices will recognize and act on attractive real estate deals before other competitors do.

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To make that move, contact Jim Gately, Senior Vice President, The Prudential Asset Management Company, Inc., 19 Prudential Plaza, Newark, NJ 07101, (201) 877-3735.

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of property investments. Book value on those investments is $263 million; financing carried is $518 million.

A substantial amount of Copley's assets under management is derived from equity investments out of New England Mutual Life Insurance Co.'s general account, which Copley manages under contract as a separate commingled fund.

Copley also has two commingled funds of its own. An open-end group annuity trust has invested $80 million of the $82 million committed from 60 clients. Investments are made in developmental joint ventures. About two-thirds of the assets are in existing properties.

A closed-end limited partnership, still open for subscriptions, has invested $220 million of $300 million committed from six clients. New England Life committed eight existing properties for half the value of the fund. Cash contributions are used to invest in developmental joint ventures.

Virtually all new investments are in developmental joint ventures. About 75% of the portfolio is in existing properties. Types used include office buildings, industrial and research and development properties, hotels and residential property.

Clients include Boston Edison, National Fuel Gas, New England Light, Penn Power and Light Co., Frank Russell Trust Co. and the Southland Corp.

Copley also offers direct separate account management.

John C. Phillips Jr., vice president, is the client contact.

Corporate Property Investors

305 E. 47th St., New York, N.Y. 10017; (212) 421-8200

Corporate Property Investors took in $150 million in new capital from 15 clients during the six-month period ended Aug. 15.

The real estate investment trust put total assets under management at $2.4 billion. Of that, $1.85 billion is in real estate equity and $350 million in mortgages.

One CPI-managed REIT holds $1.4 billion. The firm also manages specialized partnerships, including one for the AT&T pension fund and one that holds an option to buy the General Motors building in New York.

CPI has 35 tax-exempt clients among the REIT shareholders: 30 corporate pension funds, two public funds and three foundations and endowments. They include AT&T, the Ford Foundation, Exxon, Pennsylvania Public Employee Retirement System and U.S. Steel.

Of the $250 million invested in the REIT from foreign sources, $200 million is from foreign pension funds.

CPI invests 95% in existing properties and 5% in development projects. Regional shopping centers and major office buildings are its property types.

Client contact is Warren Hamer, shareholder relations.

Crocker Real Estate Investment Group

44 Montgomery St., Suite 2110, San Francisco, Calif. 94104; (415) 477-8555

Crocker reported $24.5 million in new business from three clients for the year ended June 30.

The group has $192.6 million under management for real estate equity, including an open-end commingled fund that holds $86 million for 230 corporate pension fund clients.

Of its four separate accounts, two are corporate funds, one is a public fund and one is a foundation or endowment.

The Crocker client list includes Eastern Air Lines, Atlantic Richfield Co. and the Contra Costa County (Calif.) Employees Retirement Association. The group also has invested $9.2 million for foreign clients.

Crocker put a $192.5 million market value on its equity real estate investments, which had a book value of $165.9. The group also holds $6.7 million in mortgages and is carrying $1.2 million in financing on its properties.

The group has 90% of its investments in existing properties and 10% in developmental properties. The property types it prefers are office buildings, office/warehouse properties, warehouse/distribution centers, research and development properties and shopping centers.

In addition to the open-end fund and direct accounts, Crocker also offers consulting services and plans to start up a closed-end fund with diverse investment criteria in the coming year.

N. Anthony Dann, vice president, is the client contact.

Pensions & Investment Age's annual survey of the chief investment officers at the 500 largest investment institutions on the quality of Wall Street research will be published in the Sept. 17 issue.

Landauer Fund II
$150,000,000

Landauer Advisors is accepting subscriptions to Landauer Fund II.

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d

Debenham Tewson & Chinnocks Associates

450 Park Ave., Suite 1902, New York, N.Y. 10022; (212) 758-8218

Debenham Tewson has invested $200 million in U.S. real estate for foreign investors, of which $150 million is for pension funds.

Timothy M. Redfern is the client contact.

Dodge & Cox Inc.

1 Post St., Suite 3500, San Francisco, Calif. 94104; (415) 981-1710

Dodge & Cox said two clients committed $12 million in new business for the year ended June 30.

The firm manages $27 million in hybrid debt. Of the $19.7 million book value on investments, market value is $20.3 million.

The firm has two corporate clients in closed-end real estate funds. They are American Express and Kaiser Aluminum & Chemical Corp.

Assets are 75% invested in existing properties and 25% in developmental projects. The firm uses office and retail properties in the West.

Dodge & Cox is marketing its third closed-end pool, with closing anticipated this fall.

Client contact is Harry R. Hagey.

e

Eastdil

40 W. 57th St., New York, N.Y. 10019; (212) 397-2763

Eastdil reported seven clients committed $325 million in new business for the year. The adviser has $855 million under management in real estate equity ($325 million outstanding) and $120 million in mortgages.

The firm has 11 clients, seven in a closed-end fund and four in a direct separate account. They include AT&T and the California State Teachers Retirement System.

Eastdil invests 45% in existing property and 55% in developmental projects. It uses industrial buildings, office buildings and shopping centers.

The commingled fund is a limited partnership that has $50 million in commitments and plans to begin investing this month. The partnership will acquire and lease back multipurpose corporate real estate on an unleveraged basis while assuming a limited equity position in the corporation.

Eastdil also offers consulting services.

Donald E. Conover, vice president, is the client contact.

Richard Ellis Inc.

350 Park Ave., 20th Floor, New York, N.Y. 10022; (212) 355-4810

For the year ended June 30, Richard Ellis [illegible] $177.1 million in new business came from three separate account clients and its open-end commingled fund, which has 51 participants.

The firm manages $805 million in equity-related assets: $770 million in real estate equity (all but $121 million has been received by the adviser) and $35 million in hybrid debt (of which $25 million is committed).

Book value on equity investments is $636.6 million, market value $649 million; book value on hybrid debt is $10 million and market, $15 million. Financing worth $178 million has been used.

Richard Ellis has made $615.1 million worth of investments in U.S. real estate for foreign investors, of which $592 million is for pension funds.

The firm has 55 clients, four in separate accounts. They are 45 corporate pension funds and 10 public. Clients include Imperial Group, Electricity Supply, Barclay Banks, British Rail, British Steel, Rolls Royce and Rank Xerox.

Assets are 84% invested in existing properties and 16% invested in development projects. The adviser uses office buildings, regional shopping centers and office/industrial parks.

Richard Ellis' $270 million U.K.-American Properties Inc. is the open-end pool that invests in U.S. property for 51 U.K. pension funds. Ellis also offers consulting services, portfolio and property management, valuations, development supervision and leasing.

Graham J. Bond, senior vice president, is the client contact.

Equitable Real Estate Investment Management

1285 Avenue of the Americas, New York, N.Y. 10019; (212) 554-4213

Equitable reported 115 clients committed $526.7 million in new business for the year ended June 30.

The firm manages $2.6 billion in tax-exempt assets: $2.3 billion in real estate equity (all but $320 million has been received by the adviser) and $291.8 in mortgages.

Market value of equity investments is $2.01 billion on book value of $1.4 billion; mortgages, which include construction loans receivable of $179.7 million, have a market value of $291.8 million and book value of $291.8 million. Financing worth $319.1 million has been used.

U.S. property investments valued at $500 million have been made for foreign investors.

Equitable has 282 clients: 278 in commingled funds and four separate accounts. They are 253 corporate pension funds, 17 public and 12 union, and include Colgate Palmolive, RCA, Exxon and Idaho.

The adviser invests in industrial properties, office buildings, retail, hotels and research and development facilities.

The diversified open-end account No. 8 has $2.5 billion from 278 clients, invested in 246 properties. The more opportunistic closed-end account No. 16I has $46 million, six clients and eight investments.

The second closed-end account, No. 16II, is being marketed with a $30 million to $100 million target.

Joyce R. Frater, vice president, is the client contact.

Equitec Institutional Realty Advisers Inc.

7677 Oakport St., Oakland, Calif. 94614; (415) 430-9900

Equitec reported three clients committed $25 million in new business during the year ended June 30. The adviser has invested that in equity real estate with a market value of $50 million. Financing valued at $25 million was used.

The three clients are corporate pension funds in Equitec's first closed-end fund. They include Nalco Chemical and K mart Corp.

Equitec invests in existing income-producing office buildings. The closed-end fund also calls for industrial buildings, business parks and shopping centers.

During the next year, Equitec plans to open another closed-end equity fund, and possibly a fund for endowments. Client contact is Don Jackson.

f

F.I.A. Associates Inc.

2045 Hallmark Dr., Suite 4, Sacramento, Calif. 95825; (916) 920-4051

F.I.A. reported three clients committed $209 million in new capital on the year ended June 30.

The firm manages $1.4 billion in tax-exempt assets: $571 million in equity and $839 million in mortgages.

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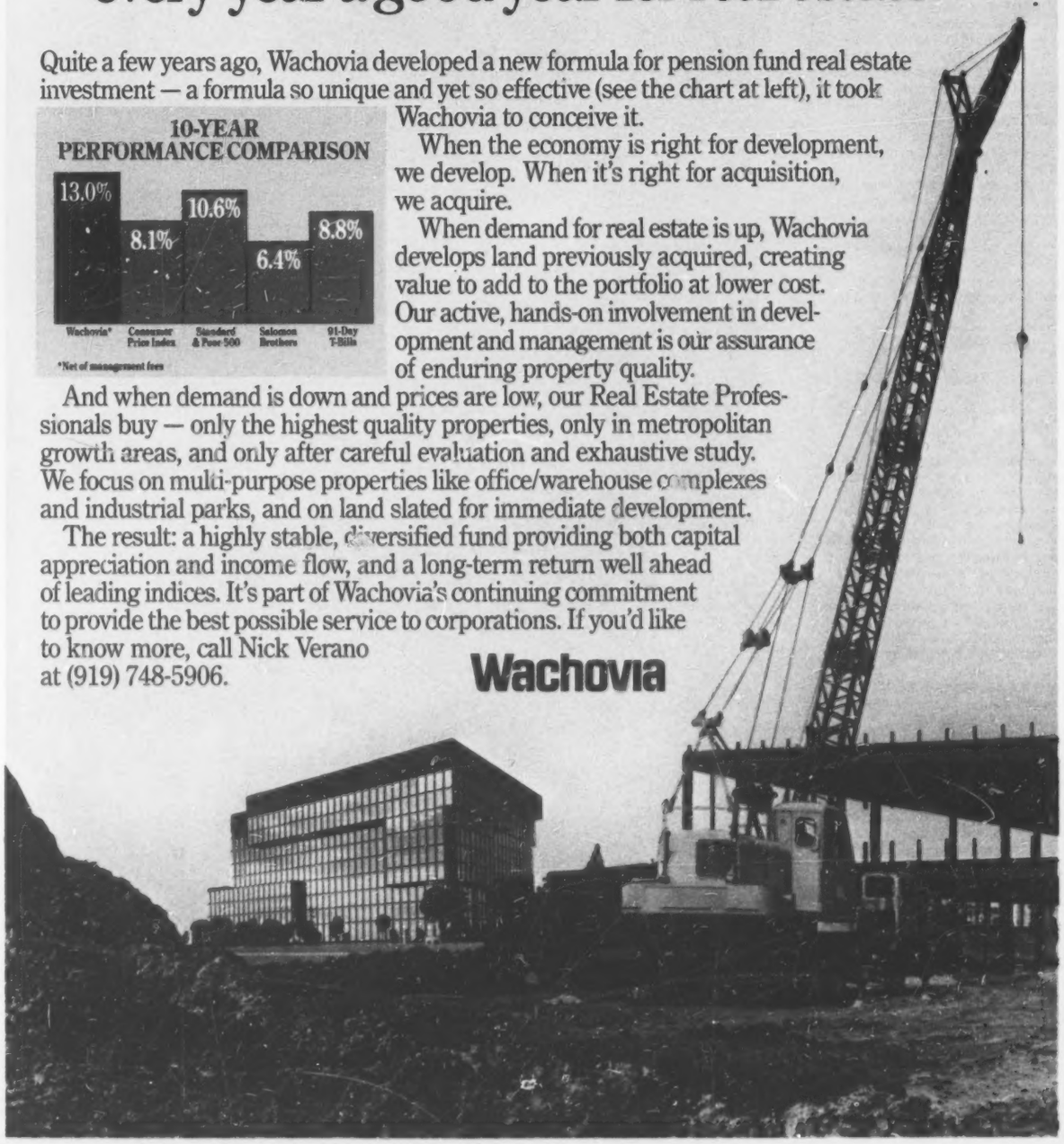
Wachovia



Book value of equity investments is $495 million; book value of mortgages is $238 million. No financing has been used.

F.I.A. has three public pension fund clients with which it has on-going advisory relationships: the California Public Employees Retirement System, the Utah State Retirement Office and the Teacher Retirement System of Texas. The firm also has other clients for which it provides consulting and advisory services from time to time. These include the Ohio State Teachers Retirement System and the Commonwealth of Kentucky Teachers Retirement System.

Assets are 85% invested in existing properties and 15% in developmental ventures. Property types include industrial sites, office buildings, shopping centers, free-standing retail properties and hotels.

F.I.A. is marketing its first closed-end fund and has $55 million in commitments from two clients with "strong indications" from four others. The ceiling is $200 million and it will close by Dec. 31. A second fund will be marketed soon after the close of the first.

H. James Griggs, president, is the client contact.

Fidelity Bank

123 S. Broad St., Philadelphia, Pa. 19109; (215) 985-8299

Fidelity reported one client committed $100 million in new capital during the year ended June 30.

The bank reported it manages $1.15 billion in tax-exempt assets: $600 million in real estate equity and $550 million in mortgages. The equity has been invested at a market value of $650 million.

The firm has one corporate and one public pension fund in direct, separate accounts.

Assets are 20% invested in existing properties and 80% in developmental projects. Property types include general purpose office buildings, retail shopping centers and industrial properties.

Fidelity also offers consulting services and plans to offer a closed-end commingled fund in September 1984.

Richard B. Goldbeck, vice president, is the client contact.

Fiduciary Trust Co. of New York

2 World Trade Center, New York, N.Y. 10048; (212) 466-4100

Fiduciary Trust reported $100 million in new business was committed during the year ended June 30. The firm manages $350 million in equity real estate.

It reported one public pension fund client, invested in a commingled fund. It invests in pooled real estate funds.

Fiduciary Trust also offers consulting services. During the next year, it plans to develop a pooled fund for offshore pension funds.

Client contact is Alan Steinkamp.

First Asset Realty Advisors

First Bank Place, Minneapolis, Minn. 55402; (612) 370-4729

First Asset reported one client committed $5 million in new capital during the year ended June 30.

The firm has $26.3 million to manage in real estate equity. Book value on the investments thus far is $17.9 million, market value is $20.2 million. Financing used totals $4.3 million.

The adviser has four corporate pension fund clients in its open-end commingled fund. It invests in existing retail and industrial properties and office buildings.

First Asset also offers individual account management.

Charles S. Ingwalson, president, is the client contact.

First Chicago Investment Advisors

3 First National Plaza, Suite 0119, Chicago, Ill. 60670; (312) 732-7641

First Chicago reports $113 million in new capital commitments from 21 pension fund clients on the year ended June 30.

In all, the adviser has $500 million under management in real estate: $496 million in equity (all but $14 million has been received) and $4 million in mortgages.

Of the $437 million book value on the equity, market value is $523 million. Market value on the mortgages is put at $5 million. Financing worth $7 million was used on the properties.

The firm also invests $160 million in the U.S. real estate for foreign investors.

First Chicago has 129 clients: 121 in its two commingled funds and eight separate accounts. They break down to 119 corporate pension funds, seven public, two union and one foundation or endowment. They include Westinghouse, Valero Energy, Northern Indiana Public Service, Illinois and San Diego County.

The adviser's diversified open-end Fund F has $411 million in assets and its closed-end fund, which invests only in apartments, has $55 million.

Overall, First Chicago invests in existing office buildings, industrial, retail and residential properties, and apartments.

In the next year, the firm plans to introduce a second specialty closed-end fund.

J. William Baker, vice president, is the client contact.

Endowments and foundations will be spotlighted in the Oct. 15 issue.

First Equities Institutional Properties Inc.

6201 Powers Ferry Road, Suite 500, Atlanta, Ga. 30339; (404) 952-1500

First Equities acquired $40 million in new business from three clients for the year ended June 30, bringing assets under management to $81 million. That is all invested, at a market value of $109. No financing is used.

The firm has six separate-account clients: five corporate pension funds and one public.

It also offers consulting services.

First Equities invests in existing office buildings, business parks, shopping centers, light industrial properties and apartments.

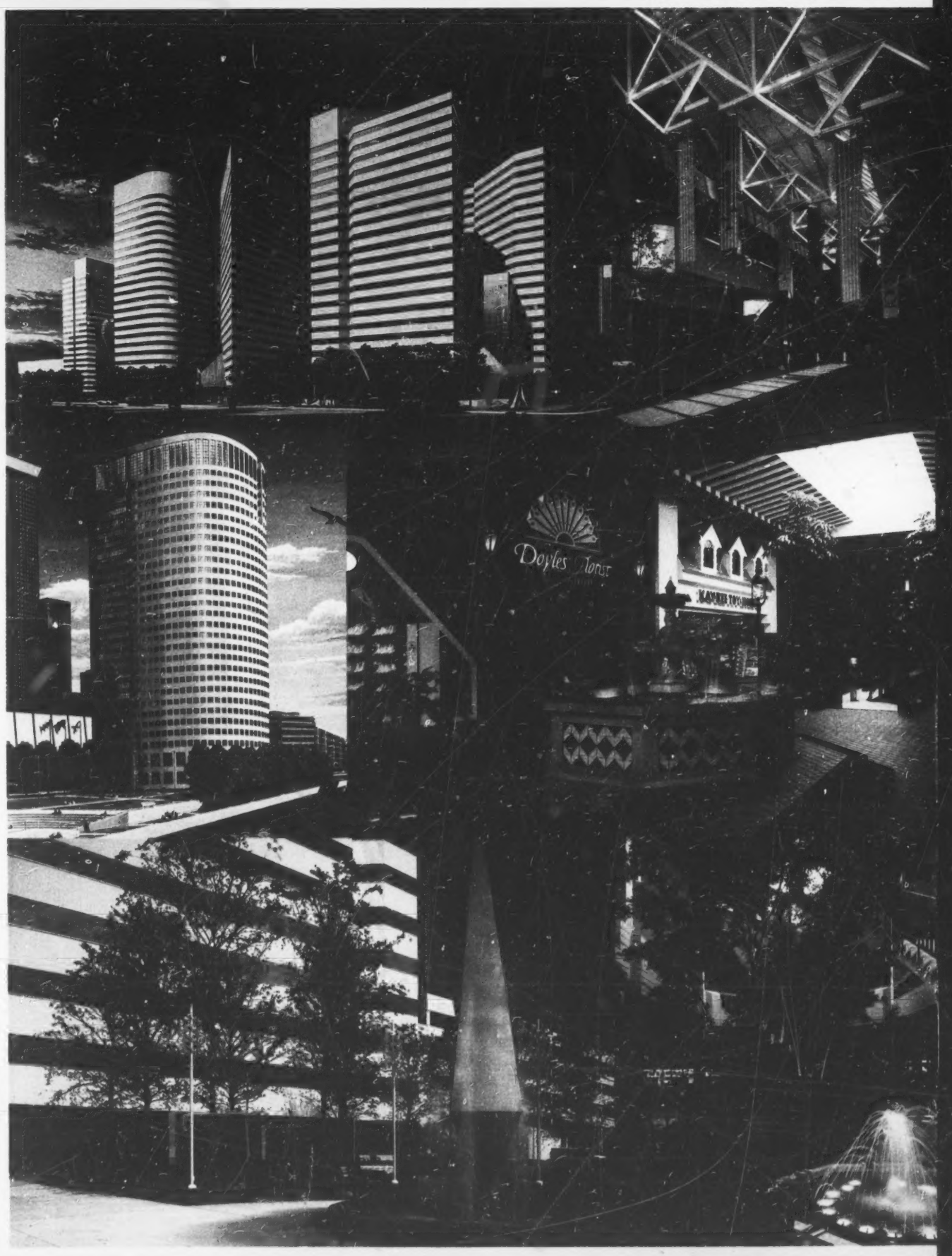
In the coming year, the firm plans to form and market a group of complementary funds in existing property offering diversified investment opportunity and blended returns to pension investors, and will expand its separate account business to include joint venture developments.

Paul H. Saylor, executive vice president and managing director, is the client contact.

The First National Bank of Boston

100 Federal St., Boston, Mass. 02110; (617) 434-4560

First National has $232 million under management in real estate equity in its open-end fund. Financing worth $8 million has been used.



The fund has about 200 clients — three public pension funds, five union, the remainder corporate — including Raytheon, Western Airlines, Bechtel Power and Pickands Mather.

It invests in existing commercial, industrial and retail property.

Peter F. Tague, III, first vice president, is the client contact.

First Wisconsin Trust Co.
777 E. Wisconsin Ave., P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-4844

First Wisconsin reported 28 clients committed $3.6 million in new business for the year ended June 30.

The firm manages tax-exempt assets totaling $5 million in real estate equity, of which all but $500,000 has been received by the trust company. Market value of investments is $1.82 million.

The firm has 30 corporate pension funds in its open-end commingled fund. The pool is totally invested in existing property: 40% office buildings, 38% retail and 22% light industrial property.

First Wisconsin also offers separate account investment management and consulting services.

Earl D. Lillydahl, vice president, is the client contact.

The annual brokerage research poll will be published Sept. 17.

g

Goldman, Sachs & Co.
85 Broad St., New York, N.Y. 10004; (212) 902-5628

Goldman, Sachs reported new business of $313 million from its 10 clients on the year ended June 30. In all, the firm has $388 million under management for real estate equity. Of the $150 million it has received from clients, $73.4 million has been invested, with a market value of $76.3 million. Financing worth $4 million has been used.

Of the 10 clients, seven are in Goldman's $150 million open-end group trust and three are separate accounts. Four are corporate pension funds, five are public and one is a union.

Goldman invests in existing office buildings, shopping centers and industrial warehouse buildings.

John L. Griffith Jr. vice president-marketing, is the client contact.

Grubb & Ellis Co.
1333 Broadway, Suite 900, Oakland, Calif. 94612; (415) 839-9600

Grubb & Ellis received $89 million in new business from its four separate-account clients through the year ended June 30.

Assets under management total $296 million: $182 million in equities and $114 million in hybrid debt. Grubb reports $90 million invested in equity real estate with a market value of $112 million, and $54 million in hybrid debt with a $69 million market value (a total of $140 is committed and not yet received). Grubb carries just $1.78 million in financing on its properties.

The firm also has invested $30 million for foreign investors.

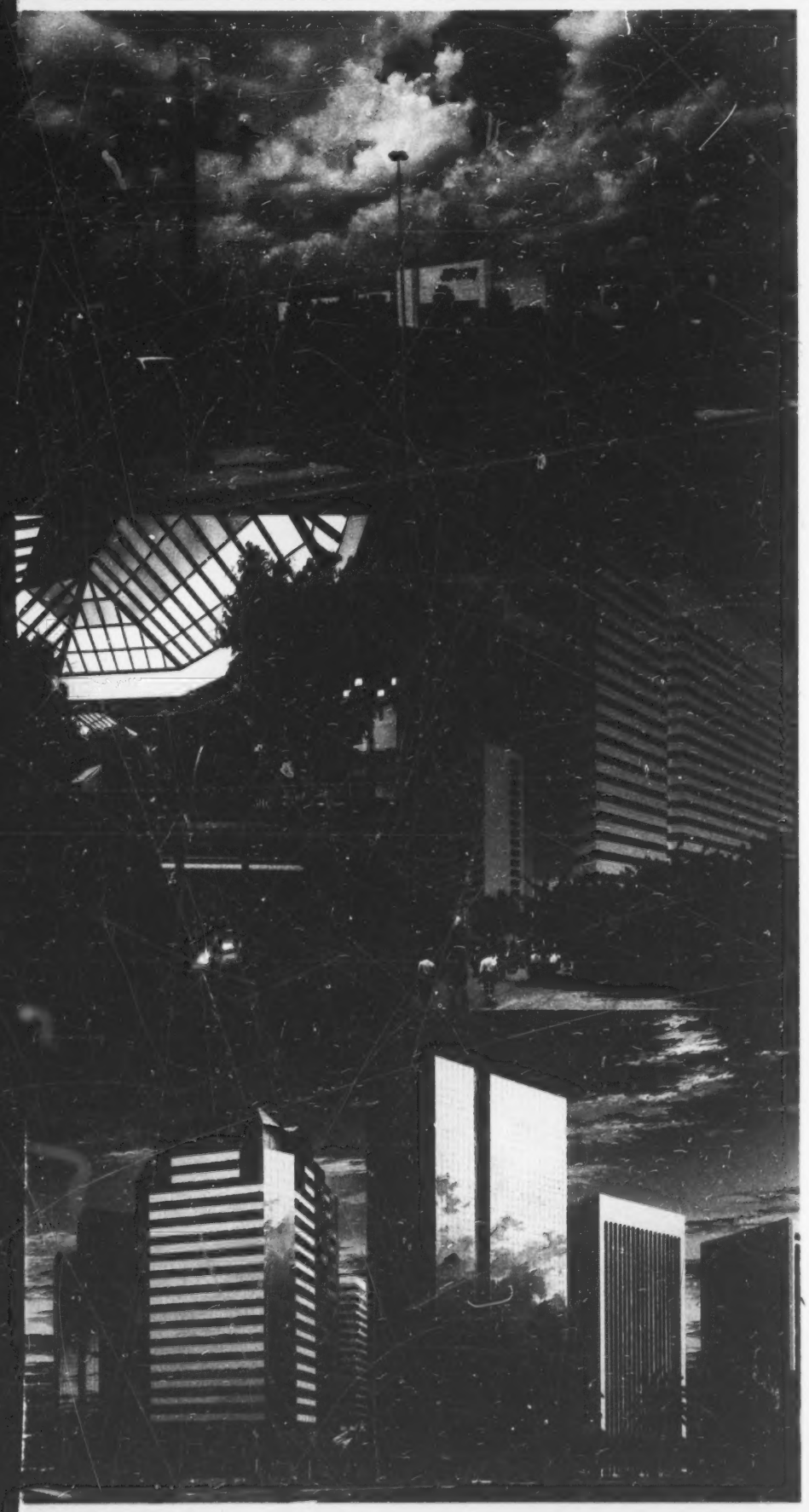
It has invested 89% in existing properties and 11% in developmental projects, and has singled out offices, shopping centers and industrial property.

Grubb & Ellis' clients are two public pension funds, one union and one foundation or endowment, and include San Bernardino County, San Diego Electrical Pension Trust and Kern County (Calif.) Employees Retirement System.

Grubb also offers consulting services.

It has plans for a joint venture development project among three or four pension fund clients.

Client contact is Terry P. Noyer, senior vice president.



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John Hancock Mutual Life Insurance Co.
P.O. Box 111, John Hancock Place, Boston, Mass. 02117; (617) 421-6000

John Hancock reported $116.8 million committed in new business from 15 clients.

Hancock manages $853 million in its commingled funds and direct separate accounts. Of that, $754.2 million is for equity (all but $23.5 million has been received), $3.5 million is hybrid debt and $95.3 million mortgages.

The company also noted it has about $8 billion of real estate assets in its general account from both taxable and tax-exempt sources; if just pension money in the general account is considered, Hancock has $4.8 billion under management.

In invested equity, Hancock's assets have a book value of $552 million and a market value of $638 million; of the $3.4 million book value in hybrid debt, market value is $3.5 million; and of the approximately $90 million in mortgages, market value is $95.3 million. Financing valued at $5.7 million has been used.

Hancock has 80 tax-exempt clients in commingled funds and one direct separate account. They include Alcoa, Shell Oil and Detroit.

Overall, Hancock invests in fully built and leased office buildings, industrial and retail properties, hotels and apartments, and agricultural and timber properties.

The adviser's diversified open-end commingled fund has $674.3 million from 63 participants; its open-end fund in agriculture and timber properties has $38.5 million from seven clients; and the closed-end pool devoted to garden apartment complexes has $29.2 million from five clients.

Two closed-end funds are in the solicitation stage. One that has $20 million in commitments will invest solely in timber properties and is expecting to close in September. The second, expected to close in December, will invest in commercial real estate with some emphasis on the potential for achieving gains by assuming leasing exposure or leverage. Hancock also said it has plans for additional products in the commercial and agricultural area.

Client contact is James J. Sullivan Jr. at (617) 421-5155.

Harris Trust and Savings Bank
111 W. Monroe, Chicago, Ill. 60690; (312) 461-6346

Harris Trust took in $1.5 million from 21 pension funds for the year

ended June 30, bringing to $7 million its assets under management ($5 million in equities and $2 million in hybrid debt).

Almost all assets are invested, and the investments have an almost identical market value. The bank carries $2 million in financing on the properties.

Harris Trust offers an open-end fund that has 107 client funds: one union fund and 106 corporate. These include South Chicago Community Hospital, Cuneo Press, Gear Specialties, Wilson Steel & Wire Co. and Jackes-Evans Manufacturing Co.

The bank invests in existing industrial, office and retail property.

Client contact is John K. Rutledge, vice president.

Hayden Associates Inc.

1 Regency Drive, P.O. Drawer 708, Bloomfield, Conn. 06002; (203) 243-1481

Hayden has $9 million from its one separate-account client, the New Hampshire Retirement System, which is invested at the same market value.

The firm also offers consulting services.

It invests in existing office buildings, research and development properties, industrial property, shopping centers and apartments.

Client contact is David C. Tolzmann, president.

Heitman Advisory Corp.

180 N. La Salle St., Chicago, Ill. 60601; (312) 855-5700

For the year ended June 30, Heitman got $322 million in new business from 11 clients, bringing its total under management to $1.406 billion, all but $208 million of which has been taken in by the adviser.

It closed its first closed-end fund this year at $113 million.

The book value of equity investments is $1.037 billion, the market value is $1.198 billion. Heitman carries financing worth $234 million on the properties. It manages $300 million for foreign pension funds.

Heitman has 15 clients, eight in the closed-end fund and seven separate accounts.

Eight are corporate funds, six public and one a foundation or endowment. They include AT&T, the British Post Office Staff Superannuation Fund, the British Telecom Superannuation Fund, the Kentucky Retirement Systems, the state boards of investment in Illinois and Minnesota, the Pacific Lighting Corp. and the Chicago Policemen's Benefit & Annuity Fund.

The firm also offers consulting services and property management and leasing.

All investments are in existing office buildings, shopping centers and industrial parks.

Heitman expects to close its second closed-end fund with about $200 million in early 1985 and garner additional separate accounts during the year.

David M. Glickman, executive vice president, is the client contact.

HT Investors

1 Hospital Trust Plaza, Providence, R.I. 02903; (401) 278-7606

HT Investors reported a book value of $6.5 million on its equity investment property, with a market value of $7.7 million. It carries $1.6 million in financing.

A year earlier, HT had $6 million under management and a $6.8 million property market value.

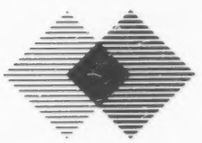
All assets are in the firm's open-end fund, which has 15 participants, up two from the previous year. These 13 corporate funds and two union funds include Textron, the Providence Journal and Rhode Island Hospital.

HT invests in existing office buildings, research and development properties, warehouses and shopping centers that are concentrated in the Northeast and Midwest and are in the $2 million to $6 million range.

It offers consulting services in addition to the open-end fund.

During the next year, HT will offer a common trust fund for personal trust clients of Rhode Island Hospital Trust National Bank.

Dan A. Woolley, vice president, is the client contact.



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ICC Realty Advisers Inc.

56 E. Pine St., Suite 200, Orlando, Fla. 32801; (305) 841-6241

ICC reported 10 clients committed $15 million in new capital during the year ended June 30. The firm manages $25 million in mortgages for its 26 union pension fund clients in a closed-end pool.

Assets are 20% invested in existing properties and 80% invested in developmental projects. ICC uses office buildings, hotels and mixed-use properties.

Byron W. Giltz, executive vice president, is the client client.

InterFirst Bank Dallas

P.O. Box 83771, Dallas, Texas 75283; (214) 573-4658

InterFirst Dallas has $320.1 million under management, which is the amount it reported as market value for its properties: $285.5 million in equities, $29.2 million hybrid debt and $5.4 mortgages. Book value on the equity property is $254.3 million. Financing carried on investment property is $10.9 million.

InterFirst has 150 clients in commingled funds and eight in direct separate accounts. Of these, 145 are corporate pension funds, 12 are foundations and endowments and one is public. They include General Motors, AT&T, Exxon, Conoco, Celanese and Lomas & Nettleton.

InterFirst invests 90% in existing properties and 10% in developmental ventures. It uses income-producing commercial properties in the Southwest.

The bank's open-end pool for employee benefit plans has $77.7 million in hand and committed from 150 participants. Of that, $71.6 million is invested. Interfirst's open-end fund for endowments and foundations has $4.5 million in hand and committed from 12 institutions, holding properties valued at $1.8 million. Both funds invest in existing unleveraged income-producing properties in the Southwest.

In 1985, InterFirst plans to market its first closed-end fund for employee benefit plans, targeted at $25 million to $50 million.

Client contacts are Nathan O. Finke, senior vice president, and Robert H. Berger, vice president.

InterFirst Bank Fort Worth

P.O. Box 1479, Fort Worth, Texas 76101; (817) 390-6991

InterFirst Fort Worth has $22.1 million under management: $7.6 million in equity and $14.5 million in mortgages. Book value of the equity investments is $7.1 million with a market value of $7.9 million. Financing on the investment property is $377,000.

The bank runs an $11.2 million open-end fund for 92 tax-exempt institutions. It invests in warehouses, office buildings, shopping centers and other commercial and industrial buildings.

InterFirst also offers separate account management and consulting.

Client contact is Gerald Hartman.

j

Jacques & Kurdziel Ltd.

745 Fifth Ave., New York, N.Y. 10151; (212) 758-6778

Jacques & Kurdziel manages $160 million in real estate equities from two

corporate foreign pension funds, which it reported as fully invested at market value. Last year, it reported $113.6 million under management, with a market value of $181.3 million.

The firm is 75% invested in existing properties and 25% in developmental projects, both office buildings and retail.

W. Murray Jacques and Donald M. Kurdziel, principals, are client contacts.

JMB Institutional Realty

875 N. Michigan Ave., Suite 3960, Chicago, Ill. 60611; (312) 440-5000

JMB reported $375 million in new business from 70 clients during the year ended June 30. Pension fund assets under management grew to $791.3 million: $747.1 million in equity (of that, $257 million has not been received) and $44.2 million in hybrid debt.

Of the $490.1 million already placed in equity investment, market value is $768.6 million; on the $44.2 million placed for hybrid debt, market value is $45.7 million. Financing of $178 million is carried on the equity properties.

JMB now has 111 clients in its closed-end commingled fund products: 58 corporate funds, nine public, one union and 43 foundations and endowments. Clients include Consolidated Edison, Eastman Kodak, Xerox, Columbia University, Cornell University, MIT, Phillips Petroleum and the Ford Foundation.

JMB invests in office buildings and retail and industrial properties, either existing or to-be-built carrying appropriate completion and lease-up requirements.

JMB has two closed-end group trusts for pension funds. The first had 25 plans contribute $245 million, and holds nine properties with a market value of $305 million. The second took in $217 million from 38 investors, and holds eight properties worth $337 million.

JMB also closed two products for foundations and endowments. The first was a limited partnership that took in $66.7 million from 28 investors, and holds seven properties valued at that amount. The second was a real estate investment trust that has commitments of more than $120 million from 40 investors, and has made two investments worth $36 million and has negotiated but not closed purchases of two regional shopping malls.

JMB also offers direct separate account management.

It is marketing a third closed-end group trust to pension funds that has commitments of $225 million from 29 participants; it will close at $300 million. JMB will begin accepting subscriptions for a third foundation and endowment product in the fourth quarter of 1984. This REIT will close at $125 million.

Client contact is John S. Lillard, president.

Jones Lang Wootton Realty Advisors

499 Park Ave., New York, N.Y. 10022; (212) 688-8181

Jones Lang Wootton received a $400 million commitment from one client, the Pennsylvania Public School Employees' Retirement System, for the year ended June 30.

That also is the amount it reports under management in a combination of equity and hybrid debt; $200 million is still outstanding.

Of the $200 million received, $75 million has been invested in equity real estate and $125 million in hybrid debt. The properties carry financing of $50 million.

Jones Lang also has invested $600 million for foreign investors, of which $400 million is pension money.

Jones Lang offers only direct separate account advisory management. It reports two domestic clients, the Pennsylvania fund and U.S. Steel, and includes the Midland Bank pension fund and British Airways on its list.

It is 75% invested in existing properties and 25% in developmental projects. Property types used are office buildings, shopping centers, light industrial buildings and hotels.

John A. Weisz, president, is the client contact.

k

Ronald A. Karp Associates

47 Maple St., Summit, N.J. 07901; (201) 522-1414

Karp Associates is a consultant that works largely on real estate accounts. Its client list includes Pennsylvania State Employees, Brockway Glass and Kaiser Permanent Medical.

Karp plans to start a strategy and performance monitoring service for directly invested accounts.

Client contact is Martin Kahn, vice president.

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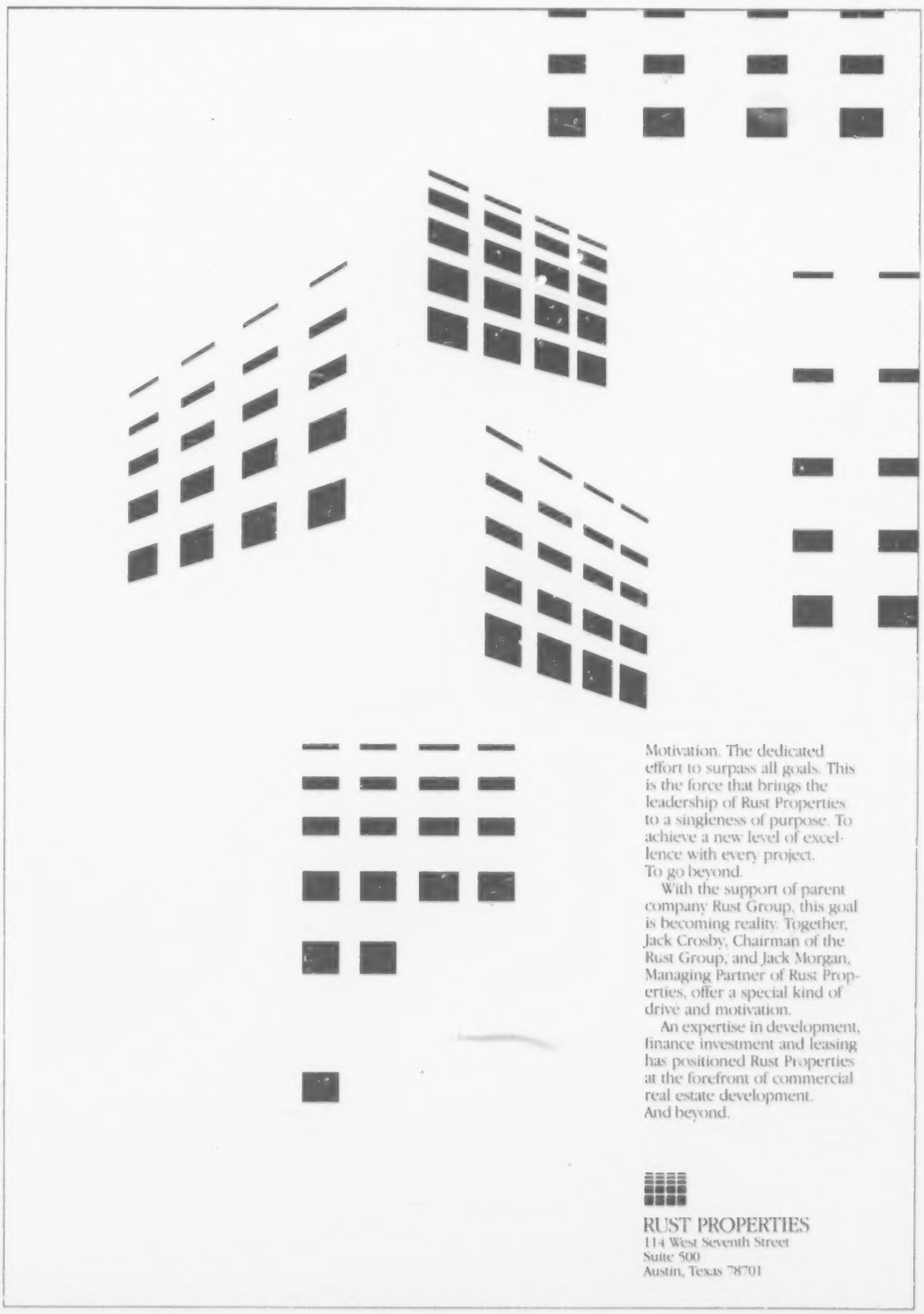

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Karsten Institutional Realty Advisors

10960 Wilshire Blvd., Suite 2232, Los Angeles, Calif. 90024; (213) 477-2481

Karsten reported $136 million was committed in new business on the year ended June 30 from six clients.

Tax-exempt assets under management was set at $213 million: $212 million in real estate equity ($86 million outstanding) and $1 million in a mortgage. Of the $126 million invested in equity, market value was $133 million. Financing on properties was $2 million.

Karsten has 11 clients, four in its first closed-end fund and seven in individual accounts. They are eight corporate pension funds, two union and one public, and include Lockheed, LTV and the corporate parent, First Interstate Bancorp.

The adviser invests in existing office buildings and retail and industrial property.

Karsten is marketing its closed-end group trust and has reached a $20 million threshold from four clients. It will stay open until Dec. 31 or the closing on the first property, whichever comes first.

In the coming year, Karsten plans to offer a second closed-end fund and a specialty open-end fund.

John M. Lundsten, president, is the client contact.

Kennedy Associates Real Estate Counsel Inc.

2400 Financial Center Building, Seattle, Wash. 98161; (206) 623-4739

Kennedy reported commitments of $125 million in new capital from two clients during the year ended June 30.

It manages a total of $462 million in real estate: $329 million in equity-related property ($282 million equity, $47 million hybrid debt) and $153 in mortgages. Market value of the equity is $320 million, and of the hybrid debt, $53 million. Financing worth $45 million has been used.

Kennedy has 71 clients, 63 in a $160 million open-end commingled fund and nine in direct separate accounts. The clients in the commingled fund are 61 Taft-Hartley funds and two corporate accounts; the direct accounts are eight Taft-Hartley and one public fund.

Clients include Eastern Airlines Variable Benefit Retirement Plan for Pilots and the International Brotherhood of Painters and Allied Trades Union and Industry National Pension Fund.

The adviser invests 95% in existing properties and 5% in developmental ones. It uses office buildings, research and development centers, retail shopping centers and large warehouse buildings.

It also offers consulting services.

Jim C. Snyder, president, is the client contact.

Endowments and foundations will be spotlighted Oct. 15.

L

Landauer Advisors Inc.

335 Madison Ave., New York, N.Y. 10017; (212) 687-2323

In addition to gaining a new address in the past year, Landauer has committed $155 million in new business from three clients.

The adviser reported $260 million in funds received from and invested for clients, plus $115 million committed and not yet invested, for a total of funds managed of $375 million.

The value of the funds invested is $385 million; when $250 million in mortgages is included, total current value of investments is $635 million. When $105 million in assets under management that were not acquired by Landauer are included, gross assets managed total $740 million.

Landauer has made investments valued at $610 million (on $350 million net assets, plus $50 million committed and not yet invested) for four foreign pension funds. Two domestic funds have separate accounts totaling $105 million.

In all, Landauer has 10 corporate pension fund clients, four in its closed-end commingled fund and six in separate accounts. Clients include General Motors, Honeywell, British Shell, Royal Dutch Shell, Unilever (U.K.) and Union Carbide.

The firm also offers consulting services, including advice on related party transactions. It invests in high-quality, well-leased existing income-producing properties, both free-and-clear and leveraged.

Landauer's first closed-end group trust has $35 million in pension assets, of which $25 million has been invested. The subscription period for the second closed-end fund will run until June 30, 1985. Landauer seeks to raise $50 million to $150 million and already has $10 million committed. It will buy income-producing offices, retail centers and light industrial buildings, with their value enhanced by creative financing techniques.

In December, Landauer will open a limited partnership for foundations and endowments, seeking to raise $35 million to $75 million for all-cash investments in office buildings and retail centers. This fund is scheduled to close in August 1985.

David R. Hodes, vice president-marketing, is the client contact.

LaSalle Advisors Inc.

11 S. LaSalle St., Chicago, Ill. 60603; (312) 782-5800

LaSalle Advisors has $950 million under management in real estate equity, up $250 million from the amount reported a year earlier.

Its count of tax-exempt clients increased by 11, to 31: 26 corporate funds, three public and two foundations and endowments. One of the 31 — California Public Employees Retirement System — is a separate account, and the rest are in LaSalle's two closed-end pooled funds. They include Caterpillar Tractor, United Airlines, American Express, International Paper and the Virginia Supplemental Retirement System.

LaSalle reported the market value on its investment properties at $602 million, up from $467 million a year earlier. It invests in major income-producing properties that are fully developed, including office buildings, shopping centers and industrial parks.

The firm's first closed-end fund is a real estate investment trust that has $300 million in subscriptions from 24 clients. Of that, $274 million has been invested, carrying a market value of $602 million. The second fund, a group trust, is being marketed. It has $250 million committed from nine clients toward a $500 million target.

Stanislaw Maliszewski, vice president, is the client contact.

[illegible] & Babson Real [illegible] Counsel Inc.

25[illegible] ar Springs, Dallas, Texas [illegible]201; (214) 658-0800

Lehndorff & Babson reported $102.7 million in new business from 10 clients. Its amount under management grew to $236.7 million, of which $152.8 million has been received for equity investment. Lehndorff said the book value of investments is $129.5 million and the market value, $152.8 million. Financing on properties totals $46.8 million.

Lehndorff and its affiliates have made $1.1 billion in U.S. investments for foreign investors, of which $105 million has been on behalf of pension funds.

The firm has eight clients in one $27.7 million closed-end fund and six in separate accounts. Thirteen are corporate pension funds and one is public. Clients have included Textron, Atlantic Richfield, United Technologies and Dow Chemical.

The closed-end fund has invested just $702,000 thus far. A second

7 guidelines for pension fund real estate investment, from the Mellon team.

Left to right: Theodore J. Moss, Jr., Vice President; Karin E. Shewer, Vice President; Robert L. Kinney, President; James T. Foran, Executive Vice President, Mellon Real Estate Investment Management Corporation.

Real estate investment can increase cash flows and asset growth while reducing portfolio volatility. For optimum performance, the portfolio must be designed with reference to the particular needs of your pension fund. Mellon's experienced Real Estate Investment Management Group has developed seven basic guidelines for pension fund investments. We've applied them successfully for major corporate and public pension fund clients for whom we manage over $500 million in real estate assets.

1. We design a real estate portfolio to meet your specific financial objectives and actuarial requirements.
2. We invest in both real estate equity and mortgage debt, as your objectives require. Interestingly, some of our clients find mortgage investments with their high returns and monthly cash flows to be the ideal fixed income alternative for funding current benefit payments.
3. We concentrate on investment-grade commercial and industrial real estate.
4. We emphasize current cash yields rather than staking the majority of your return on uncertain future appreciation.
5. For each individual client's portfolio we stress diversification by property type, location, and investment amount.
6. Our policy is to avoid hotels, fast-food operations, restaurants, and other management-intensive assets. We also avoid apartments with their potential rent control problems.
7. In general, our ongoing policy is to avoid highly specialized buildings which would not find a wide universe of users if existing tenants were to curtail their use.

This portfolio management approach gives you great flexibility to modify your investment policy in accordance with changing opportunities and market conditions. It also gives you the control that goes with distinct asset ownership—and your returns cannot be affected by other clients' liquidation decisions.

The collective fund alternative. For clients who require an even greater degree of diversification, or who are not in a position to make a major commitment of funds at this time, Mellon Bank sponsors closed-end real estate collective trust funds. The Mellon Real Estate Investment Management Group acts as investment adviser to these funds, applying the same basic real estate investment principles.

Unlike many collective funds, Mellon's have a fee structure tied to cash flow rather than to appraised values, so that fees directly reflect the performance of assets from an investor's viewpoint.

To find out how Mellon's management guidelines can work for you, call Bob Kinney, or Karin Shewer, at 212-702-4040, or write to them at Mellon Real Estate Investment Management Corporation, Mellon Financial Center, 551 Madison Avenue, New York, NY 10022.

Mellon Real Estate Investment Management Corporation

closed-end fund will be offered in the next year.

Lehndorff invests 70% in existing properties and 30% in developmental projects. It prefers substantially leased office buildings in metropolitan areas and regional shopping centers in or near major growing cities. Industrial properties also are used.

Robert M. Angland, executive vice president, is the client contact in David L. Babson & Co.'s offices; (617) 723-3074.

Loeb Partners Realty

521 Fifth Ave., New York, N.Y. 10175; (212) 883-0360

Loeb Partners reported $150 million under management in real estate equity for two U.S. corporate pension funds in separate accounts, all of which is invested.

A year earlier, it had $75 million from one client. Loeb's properties are 50% to 60% financed.

Loeb also has $500 million under management for foreign investors, $400 million of which comes from pension funds. A year ago, Loeb had invested $150 million for offshore pension accounts.

It invests in existing income-producing properties, in particular office buildings, retail, apartments and research and development.

Gary L. Naughton, vice president, is the client contact.

Lomas & Nettleton Advisory Group Inc.

P.O. Box 225644, Dallas, Texas 75265; (214) 761-8297

Lomas & Nettleton said $201 million in new money was committed for the year ended June 30 from its one U.S. client, the Teacher Retirement System of Texas.

A total of $340 million is managed and is invested in mortgages with a market value of $425 million. Financing carried on the properties is $201 million. The firm has invested $30 million for foreign pension funds.

Lomas invests 25% in existing properties, 75% in developmental. Office buildings, retail, industrial and multifamily properties are used.

Closed-end funds and consulting services also are offered.

David A. Ridley is the client contact.

m

Manufacturers Hanover Trust Co. Real Estate Investment Advisory Group

270 Park Ave., New York, N.Y. 10017; (212) 286-6044

Manufacturers Hanover has a two-pronged marketing effort: a direct separate account advisory service that used to be known as MH/Edie Investment Counsel and a new commingled thrust.

Manufacturers Hanover Investment Corp. handles separate accounts and reported $100 million in new commitments from four clients. It has $30 million under management in equity and $800 in mortgages on behalf of seven union pension funds that have included Arizona State Carpenters, Operating Engineers Local 428 Health & Welfare Trust Fund, Arizona Laborers, Teamsters & Cement Masons, Construction Laborers Pension Trust and Cement Masons Pension Fund.

The firm invests 90% in existing properties and 10% in developmental deals. It also offers consulting.

William C. Petty, vice president, is the client contact for direct accounts at (212) 957-0760.

The investment advisory group has announced four prospective commingled funds, with a collective ceiling of $400 million: an equity fund ($150 million), a participating mortgage fund ($125 million), a second mortgage fund ($75 million) and a land fund ($50 million).

William D. Dobbs, vice president, is the client contact for commingled funds.

Massachusetts Mutual Life Insurance Co.

1295 State St., Springfield, Mass. 01111; (413) 788-8411

Massachusetts Mutual reported 23 clients committed $4.1 million in new capital during the year ended June 30. The firm has $45.3 million to manage in real estate equity. Investments thus far have book value of $36.3 million and market value of $38.2 million.

The firm has 54 clients, all in its open-end fund: 50 corporate pension funds, two public and two union. The company invests in existing shopping centers, office and industrial buildings and hotels.

Peter J. Vogian, vice president, is the client contact.

Public pension funds will be the focus of a special report Nov. 26

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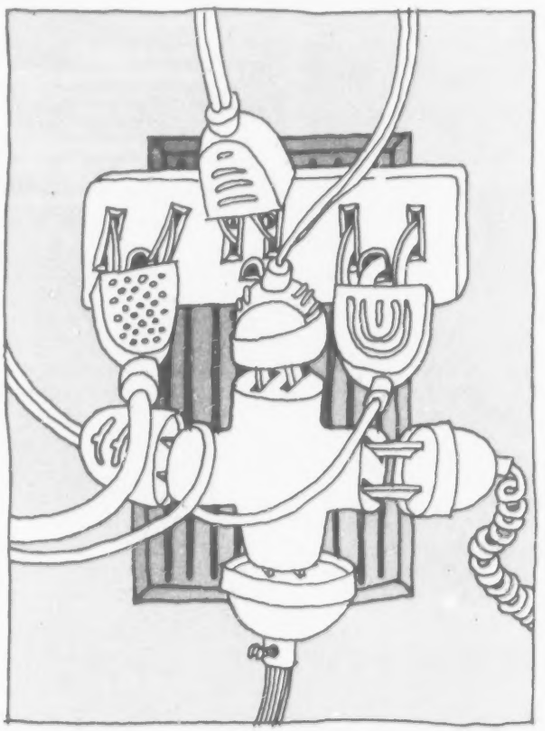

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For more information contact David Ridley, Post Office Box 225644, Dallas, Texas 75265, (214) 761-8297

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Contact Tom Steel
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115 S. LaSalle St.
Chicago, IL 60603
(312) 346-9172

BOSTON
Contact Evan Weston
One Post Office Sq.
Suite 3510
Boston, MA 02109
(617) 542-5920

John McMahan Associates

201 California St., San Francisco, Calif. 94111; (415) 433-7770

McMahan Associates reported commitments of $173 million in new business from three clients on the year ended June 30, bringing its total under management to $220 million. Investment properties have market value of $110 million. It also has manages $39 million for foreign investors.

The firm has four corporate pension fund clients, one public fund and one union fund. Its closed-end group trust serves four clients and three are in separate accounts (the union fund has a separate account and is part of the commingled fund). The client list includes Honeywell, Florida Power & Light, MIT, Safeway Stores and the University of California.

McMahan invests in existing office buildings, shopping centers and research and development industrial structures.

The closed-end fund has $38 million in subscriptions, of which $28 million has been committed to property. About one-fourth of the fund will be in convertible or participating mortgages.

Client contact is J. Raymond Walker, vice president.

Mellon Real Estate Investment Management

551 Madison Ave., New York, N.Y. 10022; (212) 702-4040

Mellon reported seven clients committed $200 million in new business for the year ended June 30.

The firm manages $550 million in tax-exempt assets: $400 million is in equity-related assets ($300 million in equity, $100 million in hybrid debt) and $150 million is in mortgages. It also has invested more than $10 million in U.S. property for foreign investors.

The firm has three corporate pension funds and four public funds in direct separate accounts. Its clients are Westinghouse, Borg-Warner, Nicor, Detroit Policemen and Firemen Retirement System, Detroit General Retirement System, Joint Municipal Employees Benefit System and the Colorado Fire and Police Association.

Mellon invests in existing "business user real estate:" office buildings, research and development facilities and warehouses.

It is marketing two closed-end funds, one for general investment in direct equity and convertible mortgage investments, and one for direct ownership and mortgages in Michigan real estate by Michigan corporate and public retirement systems.

Karin E. Shewer, vice president, is the client contact.

Mercantile Realty Services

1704 Main at Ervay, Dallas, Texas 75201; (214) 698-4528

Mercantile Realty reported one client committed $1.5 million in new business during the year ended June 30. The firm manages a $12.9 million open-end fund for six corporate pension funds.

It has $9.6 million in equity-related investments — $2.3 million in equity and $7.3 in hybrid debt — with the balance in cash committed to property under contract. It carries no financing.

Mercantile invests in existing office buildings, retail centers and light industrial properties.

It also offers direct separate account management and consulting services, and is pursuing off-shore investors.

C. Ronald Capps, senior vice president, is the client contact.

Mercantile Trust Co.

P.O. Drawer 387, St. Louis, Mo. 63166; (314) 425-2735

Mercantile Trust reported 11 clients committed $4.4 million in new business for the year ended June 30.

The bank manages tax-exempt assets totaling $56.5 million in its open-end fund, of which $44.3 million is designated for equity and $12.2 million for hybrid debt. Of the equity, $28.9 million has been invested at a market value of $30.6 million and $15.4 million is in short-term instruments waiting investment.

The $12.2 million in hybrid debt has a market value of $13.7 million. Financing valued at $1.2 million has been used.

Mercantile Trust has 15 corporate pension funds in its pool, including AT&T, Ozark Airlines and T.G. Lee Foods.

Assets are invested in existing suburban office buildings, strip retail centers, office/service centers and bulk warehouses.

Arthur C. Jones, vice president, is the client contact.

Metropolitan Insurance Cos.

1 Madison Ave., New York, N.Y. 10010; (212) 578-2211

Metropolitan reported seven clients committed $39 million in new capital during the year ended June 30.

The firm manages tax-exempt assets totaling $412.4 million; $354.1 million in real estate equity (with $25 million outstanding) and $58.3 million in mortgages. Of the equity, the $195.3 million book value carries a market value of $287 million; the $70 million book value in mortgages has a market value of $58.3 million. No financing is used.

Metropolitan has 35 clients, all in commingled funds: 32 corporate pension funds and three union. They include the United Mine Workers, McGraw Edison, American Can, Ideal Basics and the Fishbach Corp.

The adviser manages three commingled funds.

A diversified open-end account that invests in developmental joint ventures has 24 pension fund participants and holds $178.9 million in net assets and 64 properties. An open-end fund that acquires existing unleveraged properties has five clients and holds $98.3 million in net assets and nine properties.

The closed-end fund for existing properties has six clients and holds net assets of $49.5 million and three properties.

Metropolitan uses office buildings, research and development/industrial complexes, hotels and shopping malls in its mix of existing properties and developmental ventures.

The insurer also offers direct separate accounts and is considering a participating mortgage fund during the next year.

John Emmanuel, assistant vice president, is the client contact.

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MONY
1740 Broadway, New York, N.Y. 10019; (212) 708-2608

MONY reported 15 clients committed $12 million in new capital during the year ended June 30. The firm manages tax-exempt assets of $29.3 million in real estate equity, all in an open-end fund with a market value of $32.5 million. Financing valued at $2.9 million has been used.

MONY has 43 clients in its open-end fund, 39 corporate pension funds and four public. Clients include Zippo and Olympia and York.

The adviser invests in existing retail and industrial properties and office buildings.

MONY also offers direct separate account management and said that during the next year it will provide "a flexible liquidity option for plan liquidity needs."

Wayne R. Dominguez, sales director-equity real estate, is the client contact.

J.P. Morgan Investment
9 W. 57th, New York, N.Y. 10019; (212) 826-7330

J.P. Morgan Investment reported eight clients committed $87 million in new business during the year. The firm manages tax-exempt assets in real estate totaling $1.66 billion: $826 million in equity (of which $68 million is still outstanding) and $834 million in mortgages ($34 million outstanding).

Book value on equity investments is $676 million, market value is $758 million; of the mortgages, book value is $917 million and market value, $800 million. Morgan also invests $713 million for foreign investors.

Morgan has 158 corporate pension funds in its open-end fund, and handles separate accounts for two public funds, one union fund and two foundations and endowments. The commingled fund had a $657 million asset value.

Existing properties make up 84% of investments. Property types used include office buildings, regional shopping centers and industrial research and development properties.

Timothy Heise, vice president, is the client contact.

Morguard Realty Advisors
1 Bellevue Center, 411 N.E. 108th, Suite 1600, Bellevue, Wash. 98004; (206) 623-1650

Morguard reports no U.S. pension fund money under management. An affiliate has invested $58 million of foreign pension capital in U.S. property. Clients include Air Canada, Alberta Board of Administrators Teachers, Alberta Government Telephone, Bell Northern Research, CBC Pension Board, John LaBatt and Northern Telecom.

Property types used include office buildings, industrial parks, shopping centers, warehouses and research parks.

Morguard offers a closed-end equity fund that has no assets under management as yet. The adviser also offers direct separate account management, consulting services and development consortiums, and plans to come out with a development fund during the next year.

Chandler H. Everett, vice president, is the client contact.

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NCNB National Bank
1 NCNB Plaza, Charlotte, N.C. 28255; (704) 374-8405

NCNB reported 120 clients committed $230 million in new business for the year ended June 30.

The bank manages tax-exempt assets totaling $432 million in real estate equity, $200 million of which is outstanding. Book value of investments is $152 million, market value is $194 million. Financing worth $1.2 million has been used.

The bank has 451 clients: 439 corporate pension funds and eight public. Four are in direct, separate accounts and 447 are in the bank's open-end fund.

Clients include Eastern Airline Pilots, Sodyeco Co., Drexel Heritage Furniture, Southeast Toyota, Sonoco Products, United Telecommunications, Inter American Developments Bank, Belk-Legget, Lance Inc., the Washington Suburban Sanitary Commission and NCNB Corp.

NCNB is 79% invested in existing properties and 21% in developmental ventures. It uses commercial and industrial property, office buildings and office-showroom property.

Its $137 million open-end fund has 42 investments worth $96 million in the Southeast.

NCNB is marketing its first closed-end fund, which will close Oct. 31. Investment properties will come from the southern U.S. and will be in the $6 million to $8 million range, slightly larger than in the open-end fund. It has commitments of more than $30 million from five pension funds.

Mark S. Coltrin, vice president, is the client contact.

New Court Realty
1 Rockefeller Plaza, New York, N.Y. 10020; (212) 757-6000

New Court manages tax-exempt assets totaling $15 million in real estate equity. Book value on investments is $12 million with a market value of $16 million.

New Court also reported carrying financing worth $19.8 million. It has invested $10 million for foreign pension funds.

The adviser has five corporate pension fund clients in its closed-end limited partnership, including General Foods and Sherwin-Williams.

The firm invests in developmental ventures only, using office buildings and commercial retail, industrial and research and development properties.

A second closed-end fund similar to the first is planned for the coming year.

John McGurk, president, is the client contact.

New England Mutual Life Insurance Co.
501 Boylston St., Boston, Mass. 02117; (617) 578-2000

New England reported $1.5 billion under management in mortgages from 3,000 clients. This is in its general account, the lion's share of which is pension fund assets. Book value on investments is $1.3 billion; $139 million is outstanding.

Real estate equity assets are managed by Copley Real Estate Advisors, and are included in that firm's profile.

Clients include American Sterilizer and Norris, Beggs & Simpson.

Donald I. Gregg, vice president-group pension marketing, is the client contact.

Public funds spotlighted Nov. 26

New York Life Insurance Co.
51 Madison Ave., New York, N.Y. 10010; (212) 576-7437

New York L[illegible] reported six clients committed $1.85 million in new business for the year ended June 30.

The firm manages $35.5 million in real estate equity through its open-ended real estate fund, of which $1.6 million is held in cash. Financing worth $2 million has been used.

The fund has 14 clients, 13 corporate pension funds and one public. It invests in completed and leased general-purpose commercial property in proven suburban markets.

Thomas J. Connolly, vice president-real estate, is the client contact.

Pensions & Investment Age's annual survey of chief investment officers on the quality of institutional brokerage research is scheduled to be published in the Sept. 17 edition.

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Oxford Development Corp.
7316 Wisconsin Ave., Suite 300, Bethesda, Md. 20814; (301) 654-3100

Oxford manages and develops real property assets for pension accounts and other tax-exempt entities.

It is a developer and manager of multifamily rental properties, commercial office buildings and shopping centers.

The firm has raised $172 million through private real estate syndication and is offering a $35 million public fund on a tax-advantaged basis. Oxford is structuring tax-exempt investments through unleveraged and participating mortgage pooled funds.

Howard Moskof, executive vice president, is the client contact.

P

Victor Palmieri and Co. Inc.
2021 K St. N.W., Suite 700, Washington, D.C. 20006; (202) 223-8690

Victor Palmieri and Co. reported five clients committed $10 million in new business during the year ended June 30.

The firm manages tax-exempt assets totaling $455 million — $115 million in equity and $340 million in mortgages.

Book value of equity investments is $95 million with a market value of $128 million. Financing worth $176 million has been used.

Palmieri has invested $3 million in U.S. real estate for foreign pension funds.

The firm has seven clients, six in closed-end funds and one direct separate account. Six are corporate pension funds and one is a union.

Existing properties make up 85% of the portfolio. Palmieri uses office buildings, hotels, apartments and commercial and residential properties.

Both pooled funds are closed-end limited partnerships. The first uses a mix of equity and straight and participating mortgages. Six tax-exempt funds participated with $29 million: assets are valued at $215 million. The second, for investment in Sun Belt apartments, took down $16 million from three pension funds.

Palmieri also offers consulting services.

John A. Koskinen, president, is the client contact.

The Peckham Boston Co.
4 Longfellow Place, Suite 3305, Boston, Mass. 02114; (617) 523-4440

The Peckham Boston Co. reported four clients committed $12 million in new business for the year ended June 30.

The firm manages real estate equity totaling $18 million for four corporate pension funds in direct separate accounts. Financing worth $7 million has been used.

Peckham invests in existing apartments, office buildings and shopping centers.

During the next year, the firm will offer joint venture opportunities in the condominium/cooperative conversion and development field.

It also offers closed-end funds and consulting services.

Client contact is John M. Peckham III.

Phoenix Mutual Life Insurance Co.
1 American Row, Hartford, Conn. 06115; (203) 275-5000

Phoenix Mutual reported 20 clients committed $4.58 million in new capital for the year ended June 30.

The firm manages tax-exempt assets of $55.7 million in an open-end fund. Book value on that property is $49.8 million. No financing is used.

The 50 clients participating in the commingled fund are 49 corporate pension plans and one public plan.

It invests 64% in existing properties and 36% in developmental ventures. It uses multitenant office buildings, office warehouse and research and development buildings, neighborhood and community shopping centers and multitenant residential properties.

H. Russell Irving, second vice president, is the client contact.

PMRealty Advisors
700 Newport Center Dr., Newport Beach, Calif. 92660; (714) 640-3000

PMRealty (formerly Pacific Mutual Realty) reported three clients committed $30 million in new business for the year ended June 30.

The firm manages tax-exempt assets totaling $80 million in two closed-end funds. Of that, $30 million is outstanding. Book value of investments thus far is $44 million. Financing worth $7.3 million has been used.

The firm has three corporate pension funds and two public funds in its commingled equity funds. They are Air Products and Chemicals, Seattle City Employees Retirement System, the State of Washington, United Airlines and Southern California Edison.

PMRealty invests in existing office buildings and industrial research and development and retail properties.

The closed-end funds invest in the West, Southwest and other growth areas. The first fund received $50 million from three pension plans. The second fund is open to subscriptions and has $30 million committed.

In the next year, a third fund will be offered as will either a joint venture development fund or a "tax-efficient" fund. All will be closed-end.

The firm also offers direct separate account investment management.

Pete Hammer, managing director, is the client contact.

Property Capital Advisors
200 Clarendon St., Boston, Mass. 02116; (617) 536-8600

Property Capital reported 34 clients committed $130 million in new business for the year ended June 30.

The firm manages tax-exempt assets totaling $294 million in real estate equity, of which $77 million is outstanding. The investments carry a book value of $217 million and market value of $300 million. Financing worth $200 million has been used.

Property Capital has invested $4 million in U.S. property for foreign investors.

The firm has more than 54 clients — 44 foundations and endowments and more than 10 corporate pension funds. Fourteen are in direct separate accounts and the rest in pooled funds. They include Harvard University, MIT, U.S. Steel Pension Fund, The World Bank and Carnegie Corp. of New York.

Property Capital invests in existing office building, shopping centers, industrial properties, hotels and apartments.

The firm has five pooled vehicles: a $225 million market value ($145 million book) open-end diversified real estate investment trust with more than 40 clients; and four closed-end limited partnerships formed to invest in specific projects. Additional limited partnerships are planned.

John A. Cervieri Jr., president, is the client contact.

The Prudential Asset Management Co.
Prudential Plaza, Newark, N.J. 07101; (201) 877-3735

Prudential Asset Management (formerly listed as Prudential Insurance Co. of America) reported 168 clients committed $1.16 billion in new capital during the year ended June 30.

The adviser manages tax-exempt assets totaling $6.36 billion: $6.2

billion in real estate equity and $156 million in mortgages. Book value of equity investments is $4.5 billion with market value at $5.8 billion; on mortgages, book is $75.4 million and market is $156.4. Financing valued at $321.2 million has been used.

Prudential has 445 clients, all in commingled funds: 290 corporate pension funds, 60 public, 94 union and one foundation or endowment.

Prudential invests in existing office buildings, industrial and commercial property, hotels/motels, apartments, agricultural property and land.

Prudential has seven commingled funds. PRISA, an open-end income-producing property account, is the largest in the business at $5.1 billion from 377 clients. PRISA II ($356.5 million from 28 funds) and III ($239.3 million from two clients) resemble PRISA in form and style.

PRIMOR, an open-end participating mortgage account with a union emphasis, has $80.8 million from 20 clients. MORISA, another open-end participating mortgage account, has $75.6 million from nine clients. Prudential's first closed-end equity fund, PRACE-I, closed early this year with $117.9 million from seven clients.

The seventh fund, the closed-end PRACE-II, is scheduled to close Dec. 31.

Prudential also offers direct separate account management.

James H. Gately, senior vice president, is the client contact.

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RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 922-6780

RepublicBank reported five clients committed $7 million in new business for the year ended June 30.

The firm manages $30 million for real estate equity. Book and market values of investments are $17 million. The bank also reported $60 million in U.S. property investments for foreign investors, of which $30 million is for foreign pension funds.

RepublicBank has 25 corporate clients, 20 in an open-end commingled fund and five in direct separate accounts. Clients include Austin Industries, Texas Instruments, Centex Corp. and the Cullum Co.

It invests in existing office buildings, office/warehouse/service facilities and retail shopping centers.

During the next year, RepublicBank will offer an open-end development fund.

It also offers closed-end fund management and consulting services.

David J. Pittman, senior vice president and trust officer, and Neal J. Howe, assistant vice president and trust officer, are the client contacts.

T.W. Richardson & Co. Inc.

601 California St., Suite 301, San Francisco, Calif. 94108; (415) 391-2880

Richardson & Co. reported its four clients committed $9 million in new business on the year ended June 30.

The firm manages tax-exempt assets of totaling $8.6 million in real estate equity, with that amount of market value on book value of $6.02 million. Financing worth $3.5 million was used.

Its four corporate pension fund clients are in direct separate accounts. It markets only separate account management to corporate plans, and offers consulting services, land investments, partnerships and joint ventures.

It invests 60% in existing properties and 40% in developmental ventures, using land of all types, commercial and industrial buildings.

The client contact is Thomas W. Richardson.

Rose Associates Inc.

380 Madison Ave., New York, N.Y. 10017; (212) 210-6666

Rose Associates offers real estate investment consulting and direct separate account investment management. It also acts as an owner's representative, joint venture partner or managing agent.

The firm has invested $140 million for taxable British, Dutch and Japanese clients.

It invests in office, industrial and high-rise residential buildings.

In the coming year, the firm will offer joint venture opportunities in new developments and existing properties.

The client contact is Daniel Rose, president.

The RREEF Funds

650 California St., 18th Floor, San Francisco, Calif. 94108; (415) 781-3300

The RREEF Funds received $898 million in new contributions from 44 clients for the year ended June 30.

RREEF reported $2.19 billion in equity real estate under management, not including appreciation of $342 million, bringing total value of equity assets under management to $2.53 million ($816.8 million in capital is outstanding).

RREEF listed book and market values of investments at $1.7 billion; it uses no financing.

The adviser has 72 clients, all in its series of 13 closed-end group trusts. They are 61 corporate pension funds, six public, two union and three foundations and endowments, and include AT&T, IBM, the state of Washington, Illinois State Universities Retirement System and Monsanto.

RREEF invests in existing high-quality, well-located office buildings, shopping centers, business parks and industrial buildings. They're usually 95% leased up.

All but one fund is closed to subscriptions. The two largest of these ($417.5 million market value and eight clients; $577 million and 19 clients) acquire large properties on a national basis. The others acquire smaller properties regionally. Six are in the West, (from $61.1 million and six clients to the most recent, a $142.7 million mix of dollars, commitments and property value from 25 clients); four are either mid-America or, in the case of the most recent, a combination of mid-America and the East (from $74.8 million and nine clients to a $153.7 million mix of cash, commitments and property from 26 clients).

The third "USA" fund had a $700 million target and will stay open until Dec. 31. If it reached $700 million by Sept. 1, the ceiling could be lifted to $1 billion. It had about $685 million from 18 pension funds by late July. The $15 million minimum investment can be spread evenly over three years.

Paul Sack, principal, is the client contact.

Research survey: Sept. 17.

Frank Russell Trust Co.

1912 First Interstate Plaza, Tacoma, Wash. 98402; (206) 572-2282

Frank Russell, which began offering real estate investment management in April, has $45 million in real estate equity from 11 clients in its open-end fund. Of that, $24 million has been received from the clients.

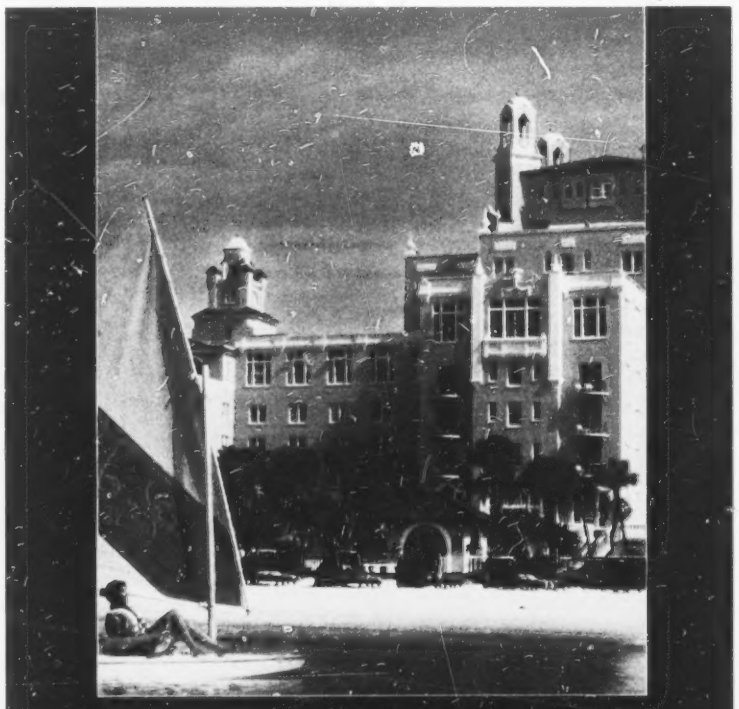
Book and market values on investments are $23.7 million.

It has eight corporate pension fund clients and three public. They include the Seattle City Employees' Retirement System, the Chicago Policemen's Annuity & Benefit Fund and the Mennen Co.

The Frank Russell fund invests in a blend of six other open-end commingled funds.

It considers itself 90% invested in existing properties and 10% in development ventures, using office buildings, industrial facilities and commercial and retail properties.

Paul R. Kaltinick, president, is the client contact.



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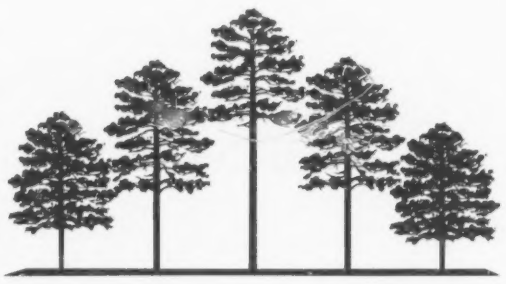

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Contact: David S. Graham (404) 239-0986

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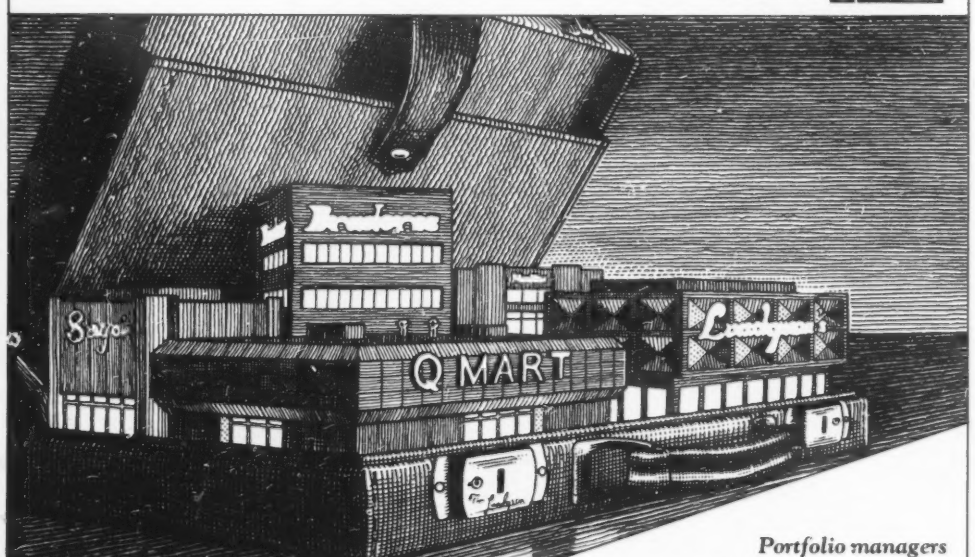

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This announcement appears as a matter of record only.

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are pleased to announce the formation of the following real estate investment partnerships for institutional investors:

PCA Crossroads Associates	$40,000,000
PCA Executive Hills Associates	29,500,000
PCA Phoenix Associates	30,000,000
PCA Southwest Associates	22,000,000

Property Capital Trust is a major investor in the Partnerships and serves as General Partner. PCA Institutional Advisors initiated the transactions and is the Advisor to the partnerships.

September 1984 Boston, Massachusetts

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Fayez Sarofim & Co.

2 Houston Center, Suite 2907, Houston, Texas 77010; (712) 654-4484

Fayez Sarofim manages tax-exempt assets of $49 million, all in participating mortgages, for nine corporate pension funds in a closed-end group trust.

Book value of investments is $30.4 million (of which the group trust provided $23.5 million cash; some are partial commitments), market value is $32 million. The balance is held in cash and short-term investments.

The fund invests in developmental ventures, using office buildings, service centers and retail and industrial properties.

Sarofim also offers consulting services and is pursuing separate account management. During the next year, the firm plans to offer a second closed-end fund specializing in equity/debt structures.

Client contact is Joshua M. Brown.

Schroder Real Estate Corp.

1 State St., New York, N.Y. 10004; (212) 269-6500

Schroder received $35 million in new business during the year ended June 30.

It manages $550 million in foreign tax-exempt assets in real estate equity, out of a total $800 million from foreign investors. Financing worth $100 million has been used.

The firm manages the North American Property Unit Trust, a British entity with 65 clients. Schroder also has two direct separate accounts, one corporate and one public.

Schroder invests in existing office buildings, shopping centers and industrial warehouses.

The adviser will offer a closed-end fund for U.S. pension funds in the near term.

Charles Grossman, president, is the client contact.

Scudder Realty Advisors

333 S. Hope St., 37th Floor, Los Angeles, Calif. 90071; (213) 628-1144

Scudder reported $100 million in new business committed by three clients in the year ended June 30.

Overall, the firm has $500 million under management from 30 tax-exempt clients. Of that, about $50 million is in real estate equity, $250 million in mortgages and $200 million in hybrid debt. No financing is used.

The firm offers direct separate account management. Of the 30 clients, 12 are public pension funds and the remainder are corporate and Taft-Hartley.

Investments are in existing retail and warehouse properties and office buildings.

Client contacts are Jack Wells, president; Candace Thorson, assistant vice president; and Diane Ward, assistant vice president.

Security Capital Real Estate

1345 Avenue of the Americas, New York, N.Y. 10105; (212) 399-6505

Security Capital (until this year, Smith, Barney Real Estate Corp.) reported new business of $340 million from 48 clients on the year ended June 30.

Equity assets under management grew to $490 million, of which all but $95 million has been received. Book value of investments is $312 million; market value is $343 million. Financing worth $38 million has been used.

All 121 clients are in the adviser's open-end group trust: 89 are corporate pension funds, nine are public and 23 are union. They include K mart, Borden, Southern New England Telephone, Standard Oil (Ohio) and the states of Alaska, Ohio, South Dakota, Washington and Idaho.

Security Capital invests in fully developed apartment and office buildings, shopping centers and light industrial facilities.

Lewis W. Kresch, first vice president, is the client contact.

SouthWest Realty Advisors

6900 E. Camelback Road, Suite 700, Scottsdale, Ariz. 85251; (602) 952-9172

Southwest Realty is marketing a closed-end equity fund that will principally invest in existing office buildings, shopping centers and light industrial parks in the Southwest. It will close next spring.

Southwest also offers direct separate account management and consulting services.

Thomas F. Curley, president, is the client contact.

Stanfill Paulson & Co.

351 California St., San Francisco, Calif. 94104; (415) 391-4170

Stanfill Paulson is entering the pension marketplace with its first closed-end fund, a participating mortgage group trust. It carries a $50 million maximum target and will invest in institutional-quality, income-producing properties in 11 western states.

Stanfill Paulson also is soliciting individually managed accounts and provides consulting services. John Paulson, partner, is the client contact.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02101; (617) 654-3222

State Street received $60 million in new commitments from nine clients for the year ended June 30.

The bank has $114 million designated for management: $21 million has been invested in equity, $33 million in hybrid debt and the $60 million balance in cash or commitments waiting investment. Financing worth $37 million has been used.

State Street has 12 clients in two closed-end funds. They are 11 corporate pension funds and one union, and include CBS, GTE, Honeywell, The World Bank and the bank's own retirement fund.

The bank invests in existing office buildings, hotels/motels, industrial, retail and residential property and development projects.

State Street reported its first closed-end fund invested $54 million for five clients, and the second has $60 million committed from nine clients (Aldrich, Eastman & Waltch, which advises the funds, gave slightly different numbers).

State Street expects to close its third closed-end fund Dec. 31 with $100 million.

Thomas P. Hogan, vice president, is the client contact.

SUHRCO Real Estate Advisors Inc.

10604 N.E. 38th Place, Suite 228, Kirkland, Wash. 98033-7996; (206) 828-4464

SUHRCO manages $22 million in real estate equity for one separate-account client, Tektronix. It invests in existing retail and office warehouse properties, suburban office buildings and apartments.

It is marketing its first closed-end fund, primarily for investment in the Northwest and West, with a target of $50 million. SUHRCO also offers consulting services, particularly on the use of corporate real estate in lieu of cash as plan contributions.

The firm plans to expand to Southern California during the next year.

Client contact is Edwin C. Suhrbier.

Sun Banks Inc.

P.O. Box 3808, Orlando, Fla. 32802; (305) 237-5056

Sun Banks reported 30 clients committed $3 million in new business for the year ended June 30.

In all, 120 corporate pension funds

invest in an open-end fund that has a market value of $12.7 million. Financing worth $1.3 million has been used.

The bank invests in existing retail shopping centers, warehousing and distribution centers, and office buildings and office parks in the Southeast, primarily Florida.

John K. Webster, executive vice president, is the client contact.

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Tamarack Associates

P.O. Box 1924, Stockton, Calif. 95201; (209) 951-1120

Tamarack reported $1 million in new commitments from nine clients. The firm has $6 million under management in real estate equity, all but $1 million of which has been received. Investments have a book value of $3 million and market value of $4 million. Financing worth $1 million has been used.

Tamarack has 14 clients in individually managed accounts — 13 corporate pension funds and one union fund. It also offers closed-end real estate funds and consulting services.

The firm invests 40% in existing properties and 60% in developmental projects, using commercial and apartment properties.

David M. Soares, investment counsel, is the client contact.

TCW Realty Advisors

400 S. Hope St., Suite 600, Los Angeles, Calif. 90071; (213) 683-4200

TCW received $240 million in new business from 26 clients during the year ended June 30.

Its total equity-related assets under management grew to $422 million. Of that, $206 million has been invested — $160 million in hybrid debt and $46 million in equity — with the remainder in cash. Financing worth $7 million has been used.

TCW has 43 clients, 39 in its two closed-end funds and four in separate accounts. They are 37 corporate pension funds, three public and three union.

The adviser invests in existing general-purpose office buildings, industrial/distribution properties and retail space.

The first closed-end fund took in $172.5 million from 22 investors. The second closed July 1 with $190 million from 25 clients, of which $24.5 million has been invested. A third closed-end fund is expected to be launched in late 1984.

Bruce L. Ludwig, senior partner, is the client contact.

Texas American Bank/Fort Worth

P.O. Box 2050, Fort Worth, Texas 76113; (817) 338-8445

Texas American Bank reported 125 clients committed $4.5 million in new business for the year ended June 30.

The bank manages tax-exempt assets totaling $55 million: $49 million in equity and $6 million in mortgages. No financing has been used.

The bank has 125 clients, 121 in its $5 million open-end fund and four direct separate accounts. They include Mrs. Baird's Bakeries Inc., Gearhart Industries and Justin Industries. Texas American also offers consulting.

Investments are in existing shopping centers, office buildings, office/warehouse structures and retail property.

Bob S. Little, vice president and trust officer, is the client contact.

Third National Corp.

Fourth and Church St., Nashville, Tenn. 37244; (615) 748-4391

Third National reported commitments of $4 million from 23 corporate funds in its open-end trust fund on the year ended June 30.

It has $17.1 million under management, $9.3 million in equity and $7.8 million in hybrid debt. All the equity under management has been invested at a market value of $9.6 million. Of the $2.4 million invested in hybrid debt, market value is $2.7 million. Financing worth $782,000 has been used.

Third National has 80 clients, all corporate pension funds, in its open-end trust, including Tennessee Farmers Co-op and the Metropolitan Nashville Board of Education.

The trust invests in existing shopping centers, office buildings and multitenanted warehouses, service centers and office/warehouse buildings, primarily in the Southeast.

Client contact is Larry Gibson, vice president for employee benefits.

The Travelers

1 Tower Square, Hartford, Conn. 06115; (203) 277-7777

The Travelers reported 16 clients committed $28 million in new business for the year ended June 30.

The firm manages tax-exempt assets totaling $6.6 billion: $513.3 million in equity and $6,093 million in mortgages. Financing valued at $23.7 million is used. The Travelers also has invested $35 million in U.S. property for offshore investors.

The firm has 180 pension clients in commingled funds and one direct separate account: 166 corporate funds, eight public and seven union. Clients include the states of Connecticut and Maine, Caterpillar Tractor, Monsanto and Chevron Corp.

The Travelers invests in existing office buildings, shopping centers, industrial and warehouse properties, apartments and agricultual and timber properties.

Its open-fund R gives clients the option of equity, debt or balanced participation. One $29.8 million closed-end fund is invested only in timberland properties. A second $22.5 million closed-end fund is devoted to agricultural properties.

The Travelers is marketing its second closed-end fund for timberland.

Thomas E. Keating, vice president, is the client contact.

Trident/Meyer Real Estate Advisors

80 E. Ridgewood Ave., Paramus, N.J. 07653; (201) 265-9600

Trident/Meyer reported four clients committed $115 million in new business for the year ended June 30.

The firm manages tax-exempt assets totaling $276 million. In equity, Trident has $176 million, of which $93.5 million is received. In mortgage accounts, it has $100 million, $64 million received. Market value on equity investments is $61 million and on mortgages, $64 million.

The firm has five clients — one corporate fund and four public — in separate accounts. They include the Municipal Employees Annuity and Benefit Fund of Chicago and the Ohio Police & Firemen's Disability and Pension Fund.

Trident invests in developmental industrial and commercial properties, office buildings and multiunit housing.

In the next year, it will establish closed-end funds and customized separate accounts. Trident also offers consulting services and real estate investment trusts.

John C. Weiner Jr., managing director, is the client contact in New Jersey; Allen W. Ralston, managing director, is the client contact in Anaheim, Calif., at (714) 999-6813.

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The Union Labor Life Insurance Co.

111 Massachusetts Ave. N.W., Washington, D.C. 20001; (202) 682-6927

Union Labor Life reported $18.65

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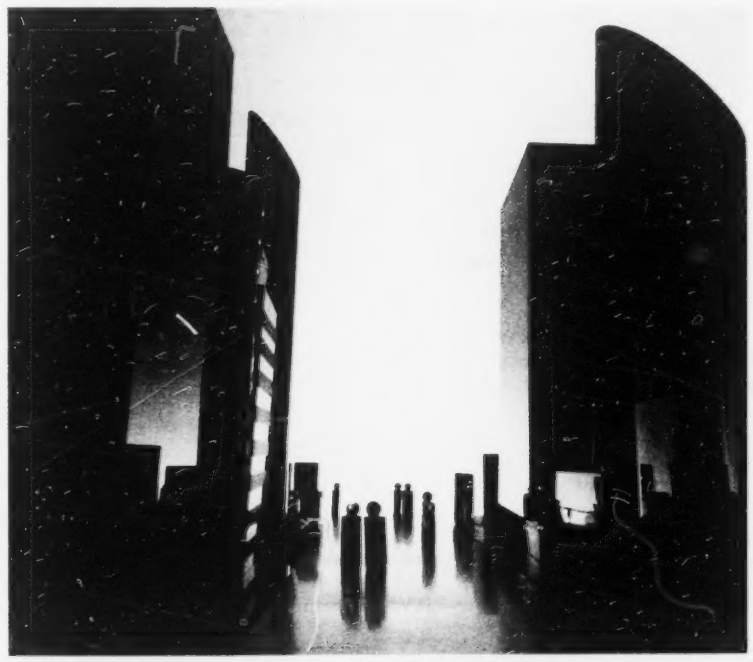

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million in new commitments from 22 clients for the year ended June 30.

The firm manages tax-exempt assets totaling $235.8 million, all in mortgages. Of that, $110.8 million is outstanding. Book value of investments is listed at $85.4 million, market value as $78.4 million.

The firm has 50 clients in separate accounts, all union funds. These include the National Industrial Group Pension Plan, Southern California Ironworkers, International Brotherhood of Teamsters Local 469 and the International Longshoremen's Association Local 1730.

Union Labor invests in first mortgages on shopping centers, retail stores, office buildings and residential and light industrial property.

John E. Stephan, director-group pension sales, is the client contact.

United Trust Fund

4770 Biscayne Blvd., Miami, Fla. 33137; (305) 576-7711

United Trust Fund arranges direct participation in specified real estate investment without discretion.

During the year ended June 30, it acted for one client for $10 million worth of equity real estate investment. In all, it has represented 12 clients for $65 million in equity realty investment.

United Trust's client list includes Honeywell, Gould and Emory Air Freight.

The fund invests in existing office buildings, warehouses, retail and light industrial properties. All are single-tenant or bond net-lease facilities with Moody-rated credit.

James Nolan, executive vice president, is the client contact.

United Virginia Bank

919 E. Main St., Richmond, Va. 23219; (804) 782-7328

United Virginia Bank reported 45 clients committed $8.5 million in new business during the year ended June 30.

The bank manages tax-exempt assets of $18.6 million in an open-end equity fund. Book value of investments is $9.8 million and market value is $10.2 million, with the balance in short-term investments. Financing worth $2.8 million has been used.

The bank has 141 corporate pension funds and one union fund in its pool, including Overnite Transportation, Media General, Virginia Chemicals and Farm Fresh.

United Virginia invests in existing office buildings, shopping centers and warehouses that are less than five years old and substantially leased.

The bank also offers direct separate account management and consulting services. In the coming year, United Virginia plans to offer a syndication review service.

The client contact is Stephen J. Hartman Jr.

Endowments and foundations will be the topic of a special report in the Oct. 15 issue of Pensions & Investment Age.

W

Wachovia Bank & Trust Co.

P.O. Box 3099, Winston-Salem, N.C. 27102; (919) 748-5906

Wachovia Bank reported nine clients committed $67.5 million in new business for the year ended June 30.

The firm manages $560 million in real estate equity for tax-exempt clients. Investments have a book value of $400 million and a market value of $500 million. Financing of $17 million has been used.

The adviser has 290 corporate, five public, four union and three foundation or endowment clients, 300 of which are in its $306 million open-end fund.

Wachovia invests 50% in existing and 50% in development properties. Types used include light industrial properties, office buildings and warehouses. Client contact is Nicholas L. Verano III.

Wagner Southern Forest Investments Inc.

10 Piedmont Center, Suite 420, Atlanta, Ga. 30305; (404) 239-0988

A new firm, Wagner Southern Forest opened its first open-end group trust July 1. It will acquire long-term equity positions in timber and timberland, primarily stakes of 500 to 5,000 acres in the pine stands in the Southeast.

Wagner also offers separate account management and is considering an open-end group trust for foundations and endowments.

David S. Graham, principal, is the client contact.

Washington Square Capital

100 Washington Square, Minneapolis, Minn. 55440; (612) 375-1165

Washington Square, owned by Northwestern National Life Insurance Co., started marketing its first real estate product for pension funds, a closed-end fund, in March. The fund, which will invest in participating mortgages, will close June 1985.

The adviser also is offering separate account management and consulting services.

Gary Kallsen, portfolio manager, and Greg Hameson, administrative manager-real estate accounts, are the client contacts.

Wells Fargo Realty Advisors

330 Washington St., Marina del Rey, Calif. 90292; (213) 822-2032

Wells Fargo reported $41 million in new capital from six clients during the year ended June 30.

In all, the firm has $563 million under management for tax-exempt clients, which is also the amount it reports for the market value of its investments: $263 million in equity, $22 million in hybrid debt and $278 million in mortgages. The properties carry $28 million in financing.

British pension fund investment accounts for $47 million under management.

Wells has 45 clients, all in commingled funds: 39 are corporate and six are public funds. They include General Motors, AT&T, B.F. Goodrich, British Gas Corp., Honeywell Ltd. and Esso Petroleum Corp.

The adviser is 90% invested in existing properties and 10% in developmental ones. It uses industrial and research and development properties, office buildings and retail.

The adviser has two pooled funds invested and one in the marketing stage. The $143 million open-end Wells Fargo Real Estate Equity Fund invests in $1 million to $10 million property mostly in the West and Sun Belt. The Wells Fargo Property Unit Trust holds the $47 million from U.K. funds that is invested in four suburban U.S. office buildings and three industrial research and development facilities.

The firm's first closed-end fund is now open to subscriptions. It will invest in properties in the $5 million to $15 million range.

Wells leaves open the possibility of more than one closed-end fund and said it will offer direct investments tailored to clients in the coming year.

J. Michael Johnson, vice president and director of marketing, is the client contact.

E.P. Wilbur & Co. Inc.

368 Center St., Southport, Conn. 06490; (203) 255-3434

E.P. Wilbur & Co. reports it is in the advanced stage of organizing its first commingled fund, which has a $50 million objective and will be in equity real estate. It is also starting two funds for foreign clients, both major European banks.

C. Wheaton Vaughan, executive vice president, is the client contact.

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Cash Management

Hires 'beginner' for international bank overhaul

Varian takes U.S. techniques overseas

By Richard J. Gillespie

PALO ALTO, Calif. — When Robert Lemos, treasurer of Varian Associates, wanted to reshuffle his international banks, he went looking for someone with no previous international experience.

The cash manager he hired, Caye Hursey, had been running a $400 million short-term portfolio for Itel Corp. before she landed the job.

Later, she told him "he must have been crazy" to have hired her to reorganize the multinational corporation's European banking network. As she tells the story, he replied it had worked — and she had to agree.

Mr. Lemos wanted to extend the company's efficient U.S. cash management techniques beyond U.S. borders, where state-of-the-art corporate cash management is the exception, rather than the rule.

Ms. Hursey was told to find European banks that would dovetail nicely into the U.S. system so the corporation could keep an eye on its projected $130 million in European sales from its California headquarters.

Nervous, perhaps, but enthusiastic about her sudden vault into the international arena, Ms. Hursey already had mapped out how things were going to have to change for Varian Associates' European banks before she found herself on a three-week tour of Europe's most glamorous cities.

Varian Associates, a high-technology manufacturer, does a substantial amount of business outside U.S. borders, operating plants that turn out vacuum tubes in Canada, medical instruments in Australia and Ireland, and ion pumps in Italy, among other things.

Annual sales of $886 million are projected for the 1984 fiscal year ending Sept. 30, of which about 30% will come from abroad, Ms. Hursey said.

The company has approximately 14,000 employees worldwide, including a representative in the People's Republic of China. It does business in many different currencies, of which 16 are tracked on a regular basis.

Before Ms. Hursey's arrival, each of the corporation's European subsidiaries used different banks. At that time, company executives simply telexed their cash balances into company headquarters twice a week. The U.S. treasury staff then would arrange to have the funds remitted to the United States, mainly "because there was not enough money there to invest," said Ms. Hursey.

"We wanted to have a more comprehensive and sophisticated cash management system for better management information and control," she explained.

"We really didn't know what was going on with bank accounts in Europe other than what was being telexed. We also wanted to increase earnings and move balances around accordingly, also to have better control over foreign exposure, so we saw three reasons for a new system."

Before going on the trip, she had been told to expect "real resistance" from the European banks.

"It turned out European banks still have a way to go," she said. "The biggest problem was that they

Continued on page 50

Caye Hursey

European system uses 'back valuing'

NEW YORK — Bank valuing is one "of the most mystical elements" of global cash management, said Ken Parkinson, editor of the Journal of Cash Management.

In many European countries, most particularly in France, he said two systems for calculating balances operate simultaneously.

One he termed the ledger system, and the other he called the "good value" system. The latter is used to determine the level of the bank's compensation, he said.

While the ledger date is the date of the transaction, the good value date is the key date, Mr. Parkinson said.

When a disbursement is made by check, there is a good-value date that is back valued from the time the transaction takes effect, he explained.

"If a check is posted to my account today and I have negotiated a two value day amount, the bank will clear it to my account two days ago, and look back at my account that day to find out if I had enough," he said.

If the bank finds insufficient funds on that date, it will immediately charge the account a penalty fee, a procedure made possible because of the automatic overdraft system that operates in Europe.

Mr. Parkinson pointed out U.S. banks will do the same if an error has been made in an account and money taken out erroneously. In this instance, the U.S. bank will back value and change the balance retroactively.

"Back valuing is not as open or commonly understood in the U.S., but it is clearly a way of doing business in Europe and a way for banks to receive compensation," he said.

"It may not have anything to do with the way they clear a check, but historically it has been a way by which they gain compensation."

In the above instance, if the funds had not been available retroactively, the payer's account would be charged, and the payer's bank would not grant availability to the payee for two days, Mr. Parkinson said.

Bank size, share of market linked

By Richard J. Gillespie

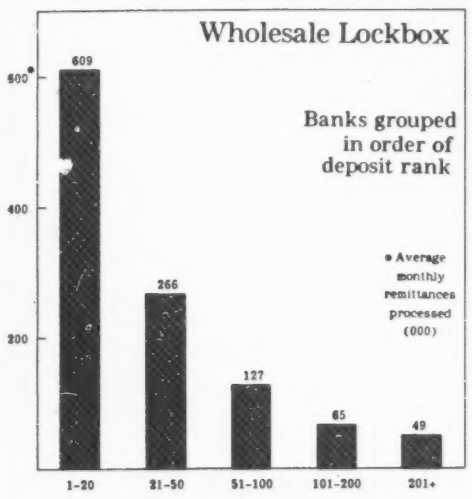
NEW YORK — A strong correlation exists between the size of a bank and its cash management market share, a new survey shows.

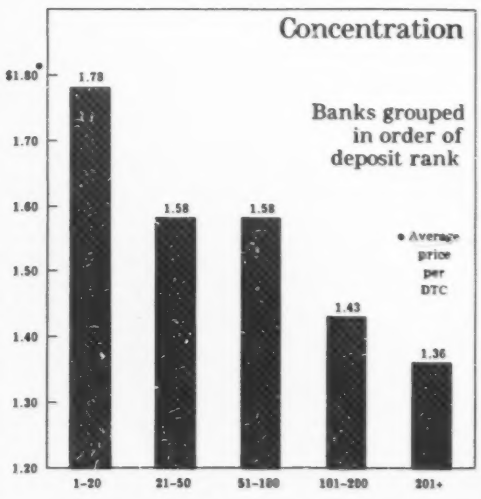
The results of the survey, the first nationwide poll of the cash management market, were released by the consulting firm, Arthur Young & Co. That company purchased rights to both the survey and an accompanying directory of cash management services from the cash management consulting firm Treasury Strategies in Chicago.

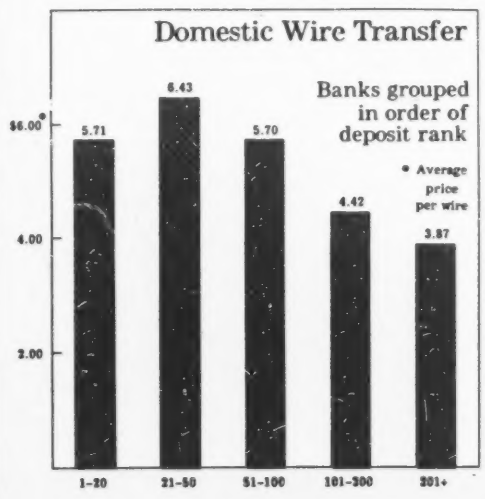
The correlation between size of bank deposits and market share was found to exist for three key cash management services: money transfer, wholesale lockboxing and cash concentration services. It was not found for disbursement services, nor for services provided through the automated clearinghouse, an electronic payments mechanism operated between banks.

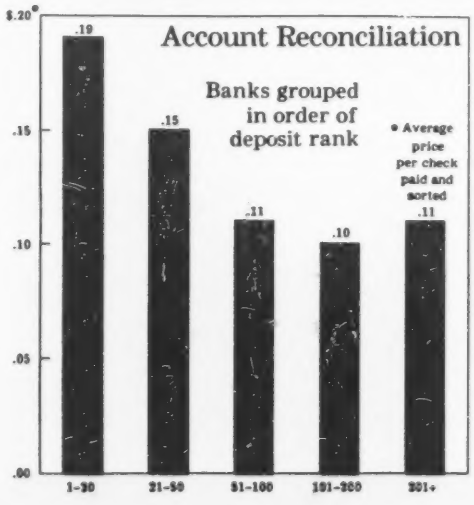
While large banks have succeeded in grabbing a much larger marke

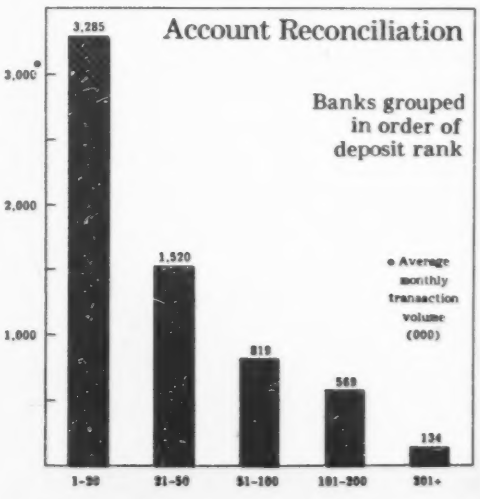
Continued on page 51











Survey links bank size. . .

Continued from page 49
share than smaller institutions in those three areas, larger banks also have tended to charge much higher prices for the services, said Bill Renshaw, a principal of Arthur Young & Co.

The price of a cash management product varies by as much as 100% from one bank to another, he said.

"Larger banks have clearly been successful in both acquiring larger market shares, and commanding higher prices for cash management services than their smaller competitors," he said.

The lion's share of the market for those three products has become highly concentrated among a few bank providers, he said.

Figures documenting the breakdown of market share in the wholesale lockbox field revealed the 20 largest banks (in terms of deposits) processed an average 609,000 remittances in the month of October 1983, while the next 30 banks ranked by size processed an average of 266,000.

The same was found with account reconciliation services, where the 20 banks had an average volume of 3.3 million items, while the next 30 largest deposit banks averaged 1.5 million.

Yet rather than the largest 20 charging less for the service, as one might expect, they were found to charge an average of 19 cents per item, which is four cents more than the next 30 largest deposit banks.

The same 20 charged eight cents more on average than the 51 to 100 largest deposit banks. This latter group, however, had only one-quarter of the transactions of the top 20.

There evidently are discrepancies between pricing and market share that suggest that for these services, corporations seem to prefer dealing with larger banks and to pay more for their services, said Mr. Renshaw.

This same situation was not found to exist in quite the same way where the market for domestic wire transfers is concerned, he said.

In this case, it was the second group of banks, when ranked by size of deposits, that charged more.

With domestic wire transfers, the largest 20 banks charged an average of $5.71 for a transfer, while the next 30 banks, ranked by size of deposits, charged $6.43.

"We dont know why," said Mr. Renshaw.

Nor was the relationship found to exist with disbursement services, a market that is more evenly spread among the cash management market players.

But overall, the market share survey demonstrated a strong correlation between a given bank's market share for the three services mentioned above and its deposit base, a relationship that holds true for the entire survey population irrespective of deposit rank.

"This seems to indicate either that the prestige attached to dealing with large banks or their automated telecommunications capabilities gives them competitive advantage," said Mr. Renshaw.

"Either that, or the fact that the compensating balances being maintained to support credit lines may be double counted for non-credit services, which would result in a higher overall charge.

"Despite this finding, it seems likely that 'niche' opportunities will continue to exist for those banks adroit in managing and updating their product lines. Cash concentration and disbursement services present two such possibilities.

"Both cash concentration and disbursement are low-volume services offered at high prices by large banks. They represent applications where geographic or other bank-specific considerations contribute to a corporation's ultimate purchase decision.

"While industry leaders have started to view cash management services as a significant profit center, they have only recently begun to measure costs and revenues."

As this information becomes more widely available, Mr. Renshaw believes cash management banks will create new marketing strategies to either counteract, or fully exploit, their relative advantages and disadvantages.

There are two fundamental reasons banks previously have had only a limited knowledge of the profitability of their cash management services, he said.

First, many corporations traditionally have paid for cash management services with compensating balances, "which make it difficult for a bank to assess revenue generated with any degree of precision," he said.

"Second, most commercial banks treat cash management departments as cost centers, which provide their services to lending divisions at internally established standard costs.

"The lending divisions then resell these to their customer base at a standard price, generally a markup over standard cost. Such internal pricing policies usually do not accurately reflect the true profit potential of products sold."

At the same time, bankers had never before enjoyed the benefit of cash management market share information. As a result of product managers working without survey information for so long, numerous inefficiencies have grown up that the survey exposed, Mr. Renshaw said.

The product manager of a major bank, for example, was offering the cheapest price on a particular service at a time when he had been under the impression his was more expensive than other competing services, the survey found.

The bank executive, in fact, deliberately had increased the price of his service to a higher level in order to get out of a market he considered unprofitable, said Mr. Renshaw.

But the survey found that not only did the manager's bank have the greatest market share for that service, but also that it was one of the cheapest services available in his region.

Without the benefit of any market share or comprehensive pricing information, he simply had not taken the hidden costs of his competitors into account.

As a result of seeing the information in the survey, he has been able to raise his price and is now making a profit on the service, said Mr. Renshaw.

The survey identified other opportunities to be exploited throughout the cash management industry along the same lines.

"With some banks charging more than twice as much for a service than others, lower priced banks can apparently raise their charges without risking loss of market share," he said.

The survey is available only to participating banks. The directory of cash management products and pricing information can be obtained from Arthur Young at (800) 334-0854, ext. 818. ■

Pensions & Investment Age's annual survey of institutional brokerage research will be published Sept. 17.

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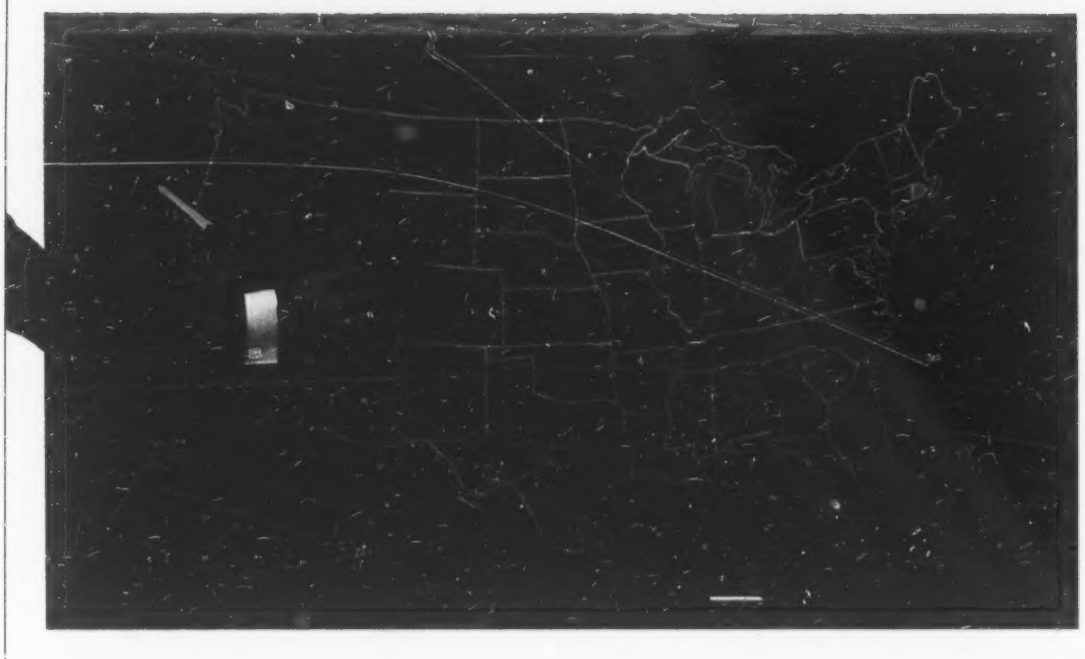

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Is law eroding . . .

Continued from page 3

Six years later, Mr. Gordon is worried the pendulum is swinging back to pre-ERISA attitudes.

"New forms of corporate manipulation of pension funds have arisen that make me wonder whether a large segment of plan sponsors now view ERISA as akin to the Internal Revenue Code, in which every loophole possible is to be explored and exploited," Mr. Gordon told a Labor Department advisory group last spring.

"If these corrosive attitudes persist, a strong reaction against plan sponsors is bound to occur . . . and will lead ultimately to an intense struggle to overhaul ERISA."

In particular, critics question whether recent corporate trends involving use of plan assets ultimately might harm the status of private plans, and, thus, potentially plan participants and beneficiaries whom the law sought to protect. These actions include:

• Terminating overfunded plans and using the excess assets to finance various corporate activities, such as reducing debt loads incurred in takeovers, fending off hostile tender offers, expanding plants and other business activities and bailing out troubled companies.

• Draining excess assets through Reagan administration-approved "spinoff/termination" or "termination/re-establishment" techniques that leave no cushion for future benefit accruals.

• Contributing corporate securities, real estate or other assets in lieu of all or part of a company's annual cash contribution.

The views of ERISA's drafters are mixed on these issues. Some raise serious concerns and others dismiss the points as either irrelevant or being part and parcel of a voluntary private pension system.

The drafters are the nearly 30 individuals who toiled on the various congressional committees and in the executive branch in developing the bill.

While members of Congress made the major policy decisions, these individuals provided the arguments for and against specific provisions, as well as hammered out the nuts-and-bolts decisions that made the law a forceful, albeit complex, reality.

Whichever side they are on, many find terminating overfunded plans to recapture surplus assets troublesome, at minimum.

"The idea of being able to manipulate pension funds for corporate purposes is at least, in spirit, in conflict with what ERISA was trying to accomplish," said Robert Nagle, former general counsel for the Senate Labor Committee.

Vance Anderson, who served as an aide to former Rep. John Dent, D-Pa., who was chairman of the House general subcommittee on labor, remarked, "Anybody who has looked at terminations-reversions is probably troubled, at least by some aspects of it."

Russ Mueller, who served as minority staff on the labor subcommittee, said he dislikes the trend of plan terminations.

"Pension systems by their nature are long-term entities," he said.

"To the extent that pension plans are viewed merely as instruments of other aspects of corporate management, it can possibly lead to adverse consequences.

"If the system isn't providing benefits, if it is creating expectations and not delivering on those expectations, we will see a repeat of the kinds of (events) that led to Title 4," Mr. Mueller said.

(Title 4 created the insurance system that ensures payment of a basic level of benefits when underfunded plans are terminated.)

Another ERISA alumnus criticized the Reagan administration's policy of allowing companies to reap excess assets from overfunded plans.

"To the extent that people terminate a plan, take a reversion and then re-establish the plan, it weakens the protection of the act," he said. The problem is that "if you lop off the peaks when you have peaks, the valleys will be deeper."

Mr. Gordon takes the regulatory agencies to task for not taking an aggressive enough stance. "I know these problems are complicated, but that doesn't mean you can't find an answer," he said.

He is particularly upset about use of plan assets in takeover situa-

Continued on page 76

Number of private pension plans

—total—

Year	Total	Defined benefit	Defined contribution
1975	$340,171	$107,399	$232,772
1976	398,407	120,773	277,634
1977	451,458	131,768	319,690
1978	495,845	139,340	356,505
1979	538,751	157,639	381,112
1980	589,893	179,424	410,469
1981	653,370	196,624	456,746
1982	718,847	218,529	500,318
1983	775,477	235,745	539,732

Note: Data for years 1975-1983 based on Form 5500 annual financial reports and on *Pension Facts* published by the American Council of Life Insurance. Data for years 1980-1983 based on projected estimates.

* Excludes Keogh plans for the self-employed.

Pension plan participants

—thousands—

Year	Total	Defined benefit	Defined contribution
1975	$44,511	$33,004	$11,507
1976	47,679	34,207	13,472
1977	49,928	34,731	15,197
1978	52,371	36,103	16,268
1979	55,192	36,925	18,268
1980	57,903	37,979	19,924
1981	61,700	39,241	22,459
1982	65,200	40,424	24,776
1983	66,800	40,280	26,520

Note: Data for years 1975—1983 based on Form 5500 annual financial reports and on *Pension Facts* published by the American Council of Life Insurance. Data for years 1980—1983 based on projected estimates.

* Excludes Keogh plans for the self-employed.

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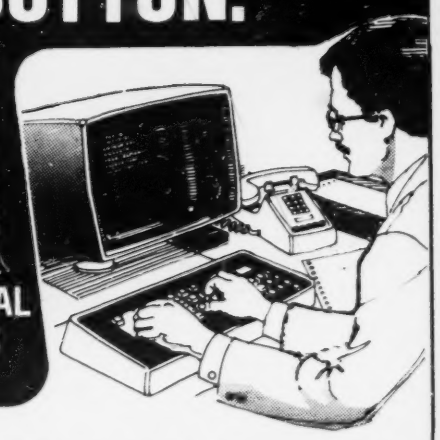

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Erosion of pension law . . .

Continued from page 75

tions. There are "real questions as to whether the law is adequate," he said.

For example, the law might not be tough enough to handle cases in which corporate officials use assets of a plan holding employer stock to avert a takeover threat by either buying up additional shares or refusing to tender, he said. Both Grumman Corp. and Carter Hawley Hale Stores Inc. faced such situations in recent years.

While Grumman lost an early court battle on the legality of its action, a judge recently found the fund had not incurred any loss, and thus the plan trustees were not liable for damages (*Pensions & Investment Age*, March 5).

In the case of Carter Hawley Hale, the Department of Labor was poised to bring suit against Bank of America, the trustee of the retailer's profit-sharing plan, but apparently was blocked by the Justice Department. Some insiders have suggested political influence was involved, but the administration has denied it.

Some company officials "might feel the hazards of litigation by the Department of Labor is less of a concern to them to maintain control of an organization or to obtain control," Mr. Gordon observed.

Some ERISA alumni who believe companies always should have a right to terminate their plans are disturbed by problems presented by use of assets in takeovers and mergers and acquisitions.

Theodore Rhodes, who was at the Treasury Department during ERISA's last drafting stages, said the law was designed to provide flexibility to plan sponsors. However, where a company acquires another and pays off the debt with the reversion, "that's a much more troubling situation," he said.

An oft-cited example of that practice is Occidental Petroleum Corp.'s termination of four overfunded pension plans, including one of recently acquired Cities Service Co.

However, asking the government to distinguish among the motivations for terminating overfunded plans is difficult, some argue.

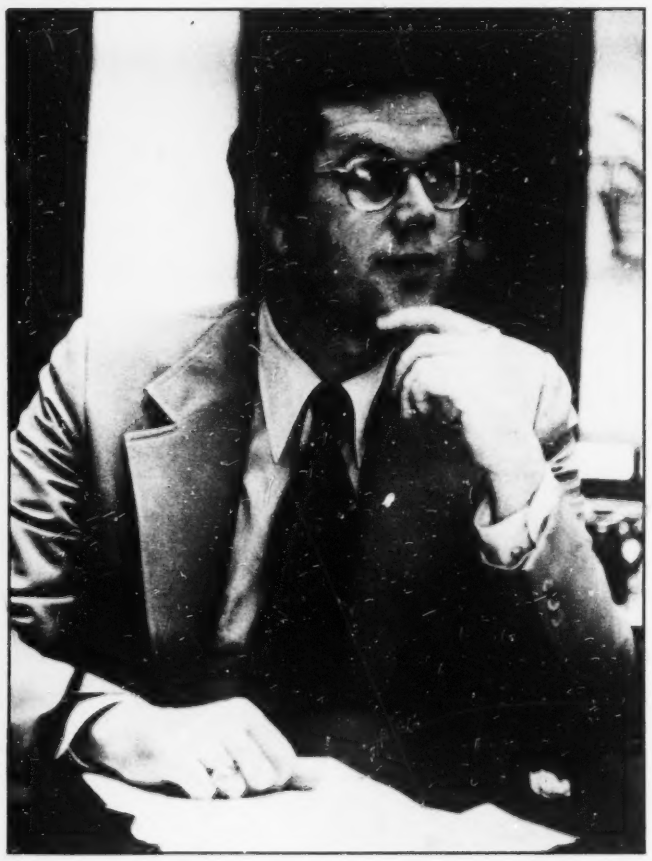
"You can't have good purposes and bad purposes," said Richard Fay, who served as an aide to former Sen. Gaylord Nelson, D-Wis.

"There's clearly a growing sophistication (among business) that will probably lead or already has led to abuses that need to be corrected," added Mr. Fay, who is now a pension attorney. "But I do not believe that there are as many abuses as people have said."

However, some do not see any problem.

"The ability to terminate a plan and recapture excess assets is a necessary corollary to the fact that setting up a plan is voluntary," said William Chadwick, a former Treasury Department official and U.S. pension administrator under President Ford.

Frank Cummings, who drafted the first bill Sen. Javits introduced, commented, "Nobody ever promised that if there is a surplus in the fund employees would get it." The debate is "just silliness," he said.



Michael Schoenenberger

That view highlights the lack of consensus.

As Mr. Anderson noted, "there has been a great deal of intemperate commentary resulting from this type of phenomenon. The truth is some place in the middle."

Plan terminations "need to be analyzed on a case-by-case basis," he said.

The views on contributions of corporate securities, real property or other interests also are not uniform. Manipulation of funds to purchase employer stock before ERISA was passed caused Congress to limit plan holdings of employer securities to 10% of total assets.

Nashville, Tenn.-based Genesco Inc., for example, had invested nearly a third of its pension fund's assets in corporate stock by 1971. In addition, the fund held real estate that was leased back to the company.

In recent years, companies have made contributions ranging from employer stock to oil and gas interests to leaseholds to recently proposed venture capital contributions — but none exceeding the 10% ceiling.

Again, Mr. Gordon is the most strident in attacking the administration's policy. "I think the Labor Department has not been vigorous enough in scrutinizing the adequacy of these contributions under the exclusive benefit rule," he said.

The DOL is treating the matter as if the value of the contributed interest were the only issue, he added.

"While that's good, and part of the fiduciary's responsibility, there's another question: whether employers have the right to force funds to take these investments," he said.

"The DOL has done nothing about that. If the DOL feels the law doesn't give them the authority, then we have to change the law."

Mr. Fay also is concerned about the issue. He believes the bill drafted by the Senate Labor Committee did not allow contributions of any employer securities and certainly no real property.

However, Henry Rose, who worked on pension legislation at the DOL in the years preceding ERISA's enactment, sees no problem.

"The law was intended to restrict just that, the corporate use of plan assets. That's why they put in the 10% limit," he said.

Added Mr. Cummings, "Why should it matter if you contribute corporate securities, real estate, cash or diamonds as long as it's secure?"

Problems such as the terminations of overfunded plans and other corporate activities might require Congress to amend the law, some ERISA alumni believe.

Nonetheless, most agree these problems were not anticipated when the law was created.

"More tinkering will be needed to protect the rights of employees," commented Herbert Chabot, a former deputy chief of staff of the Joint Committee on Internal Revenue Taxation.

But the need for adjustments in this area is "indirectly an indication that ERISA has been accomplishing its major tasks," he added.

These problems might be inconsistent with ERISA's intent, said Michael Schoenenberger, who worked on the Senate Labor majority staff. But "ERISA never got to this problem. It was directed at providing minimum standards."

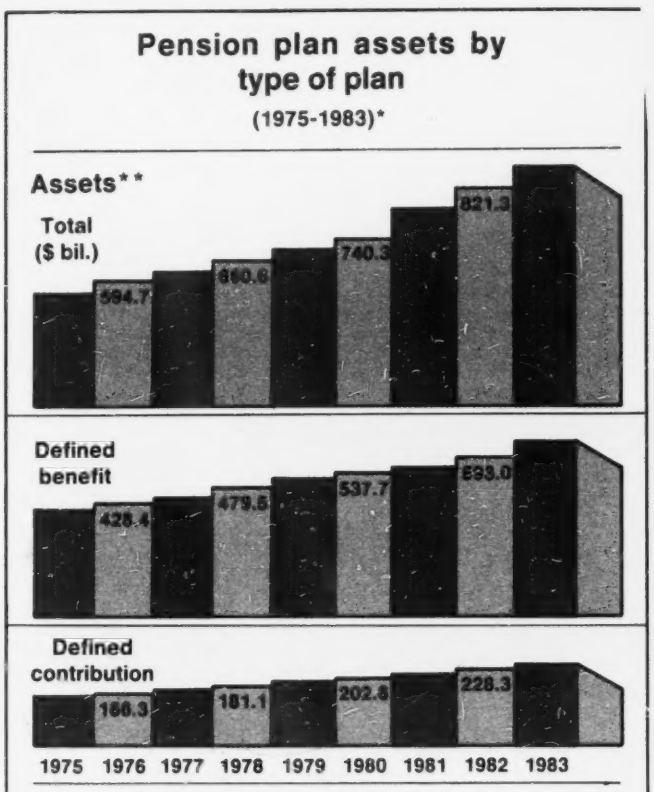
Indeed, the alumni believe ERISA's success in mandating minimum standards for participation, vesting, funding and fiduciary standards has been significant, leading most to conclude the law has not been eroded in the past 10 years.

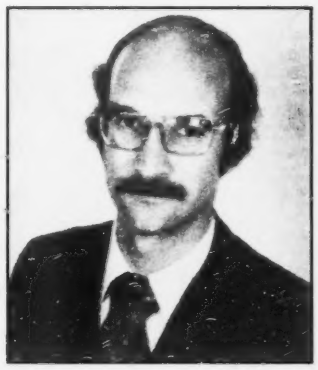
"I'm very surprised about that. I thought there would have been a strong movement to dilute ERISA," said Mr. Schoenenberger.

Considering the opposition the bill faced in the years leading to its passage, its widespread acceptance has prevented weakening of the statute, although there still might be qualms about the law's prohibited transaction rules or division of enforcement responsibilty among three federal agencies.

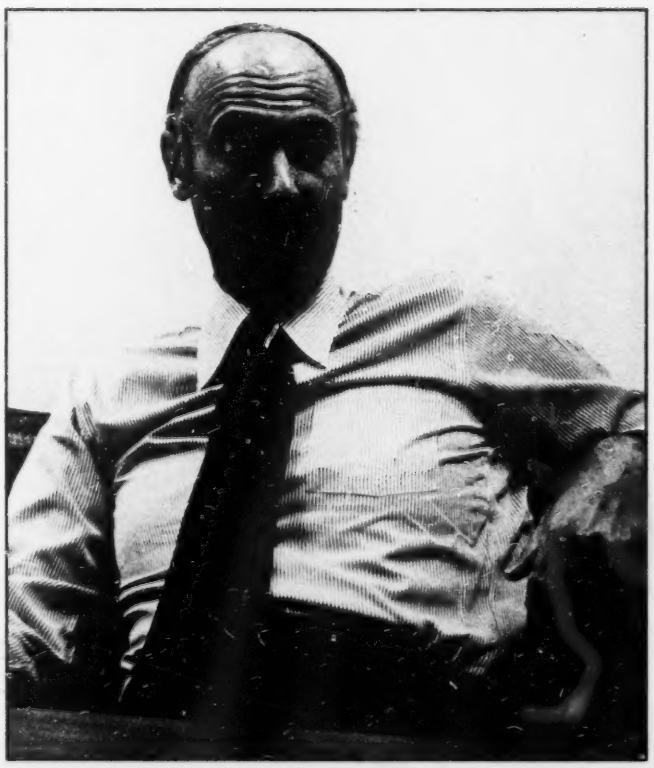
Even Mr. Gordon, who fears growing erosion of the law from the recent corporate trends, agrees the law is fundamentally sound.

"I can't think of anybody now, Republican or Democrat, who would say we would be better off without funding standards, vesting standards, fiduciary standards or limits on tax deductibility," he said. ■





Clockwise, from above left: former aides Russ Mueller, Theodore Rhodes and Michael Gordon



PIPER results . . .

Continued from page 17

For the three years ended June 30, the PIPER median special equity fund brought in a 10.8% time-weighted total return on investment, equaling the S&P's return.

Leaders for the three-year period were Security Pacific in Los Angeles, with a 33.2% return on its

PIPER

Growth Fund G.

Citibank's Real Estate Stock Fund, with 20.5%, and Provident National Bank in Philadelphia, with 20.2% on its Special Equity Fund, took second and third places, respectively.

For the five years ended June 30, California First Capital Management in La Jolla, Calif., took the winners' laurel. Its Supplemental Equity Fund's time-weighted total return for the period was 38%.

The median fund for the five years came in at 16.8%, while the S&P for that period performed at 14%.

Kenneth McCain, vice president, manages the $27 million fund at California First Bank's investment subsidiary. He has been managing that portfolio for the past six years.

"Because the fund is a supplement to overall equity funds, we have primarily designated it an aggressive equities fund," he explained.

"We look for growth, earnings acceleration and management in companies that can get revenues to the bottom line in rapid fashion," Mr. McCain said.

The fund has an 80% exposure to technology stocks, he said. "We're very selective about what we own in technology issues. Technology is a very misunderstood word.

"We avoid owning any box companies, and look for specialized technology companies, instead," he said. **Cray Research**, was one such stock, he added.

The remaining 20% includes such issues as specialty retailers, **Toys "R" Us**, and containerized cargo companies such as **Sealand Corp.**, he added.

Northern Central Bank in Williamsport, Pa., was second for the five years, with a time-weighted total return on its Special Equity Fund of 26.1%. Third for the period was Norwest Bank Minneapolis with its Specialized Investment Fund returning 24.7%.

Again for the 10-year period ended June 30, California First Capital Management held the lead, with a 22.2% time-weighted total return on investment.

The PIPER median special equity fund returned 15.4% and the S&P 500 11.3% for the same period.

Chase Manhattan's Special Equity Fund was second for the 10-years, showing a total return of 20.4%. Third was the Supplemental Equities Fund of Bankers Trust of New York, with a 19.9% time-weighted total return. ■

ITA October 18 meeting planned

NEW YORK — Fischer Black of Goldman, Sachs & Co. and Eugene Farma of Dimensional Fund Advisors will share their views on the efficiency of the capital markets at the Investment Technology Association's Oct. 18 meeting.

Jack Treynor, of Treynor-Arbit Associates, will serve as moderator.

Messrs. Black and Farma, former finance professors, also will talk about how their perception of the capital markets has changed as a result of their investment management experience.

The meeting will be at 3:30 p.m. at 71 Broadway, New York. ■

Endowments top indexes for 2nd quarter

NEW YORK — Endowments and foundations outpaced the Standard & Poor's 500 stock index as well as the Salomon Brothers High-Grade Corporate Bond Index in the second quarter.

According to the latest numbers released by Colonial Consulting in New York, endowments and foundations were down 1.9% for the quarter ended June 30.

At the same time, the S&P dropped 2.6% and the Salomon index dipped 4.6%.

Colonial tracks the performance of 78 endowments and foundations whose assets total $7.7 billion. In the second quarter, the funds had an average 61% stake in equity.

While endowments and foundations beat both indexes for the three-month period, the picture changes for longer time horizons.

The two types of funds generally have trailed the S&P, but have outpaced the Salomon benchmark.

For the latest six months, Colonial's endowment and foundation index was down 5.6%. Moreover, it declined 5.4% for the 12 months through June 30. For the five-year period, however, the index gained 12.8%.

The S&P for these respective periods produced declines of 5% and 4.7% and a gain of 13.9%. In addition, the Salomon index dipped 5.9% for the six months and 6.3% for the year-to-date, but gained 4.3% for the five years.

For the three years, however, the Colonial numbers put endowments and foundations ahead of the S&P's 10.7% uptick, with an annualized return of 11.3%.

That gain, however, was virtually 200 basis points behind Salomon's 13.2% rise.

John Goodrich, Colonial's president, noted while endowments and foundations outperform one of the benchmarks, overall they are producing higher relative longer-term performance while maintaining a low risk level.

For example, the two types of tax-exempt funds have maintained an average beta of 0.77 for the three and five years through June 30. The average standard deviation for these periods is 7.1 and 6.8, respectively.

"What this says to me is that the funds are managing their money better," in terms of asset allocation as well as security selection, he said.

This is evidenced in part, Mr. Goodrich said, by the higher relative bond returns achieved by the tax-exempt funds, which historically have taken a balanced posture on investments.

Endowments and foundations "are moving away from long-term bonds into intermediate issues and high levels of cash and equivalents," he said. As a result, they are producing better returns than the Salomon index.

Still, one problem that continues to plague endowments and foundations is their failure to outpace the Consumer Price Index. Since the inception of Colonial's data base Dec. 31, 1971, the endowment and foundation index has had a 6.4% annualized rate of return, while the CPI has increased 7.6%.

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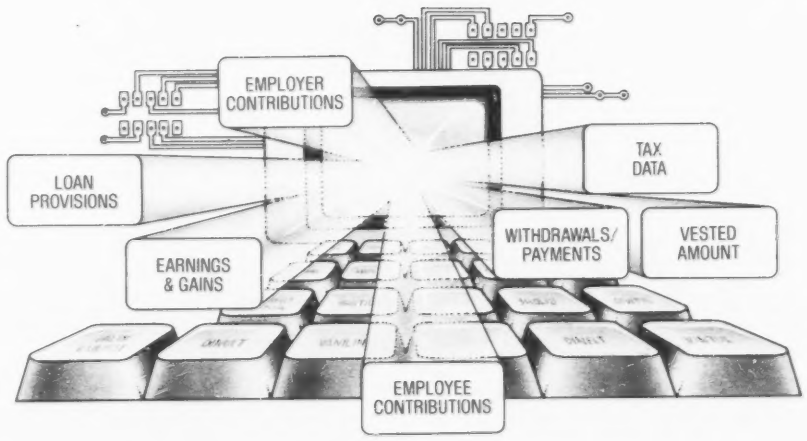

Comerica BANK

U.S. report claims union officials tried to force benefit-fund merger

By Joel Chernoff

WASHINGTON — Officials of the Hotel Employees and Restaurant Employees International Union with reported links to organized crime tried to coerce union locals to merge their pension and welfare funds with the international funds, a federal report claims.

The report by the Senate Permanent Subcommittee on Investigations is the result of a three-year investigation. It recommends toughening the Labor Management Reporting and Disclosure Act of 1959 and the Employee Retirement Income Security Act of 1974.

The subcommittee found Chicago mob interests "have exerted substantial influence over the affairs of the international union," said Sen. William V. Roth Jr, R-Del., the subcommittee chairman.

In addition, Local 54 in Atlantic City, N.J., is controlled by organized crime, and Local 226 in Las Vegas and Local 30 in San Diego have been influenced by organized crime interests, Sen. Roth said.

"It is the hard-working men and women of this country who are being hurt by welfare plans that are either poorly run or run by corrupt individuals," said Sen. Warren Rudman, R-N.H.

As of Nov. 30, 1982, the international union's welfare fund had $7.8 million in assets while pension assets totaled $90.3 million.

The Senate subcommittee report also lambasted two locals for having "outrageously excessive" administrative costs for their dental plans, amounting to between 40% and 45% of annual expenses. In the case of Local 54 of Atlantic City, "part of these excess costs are being kicked back to organized crime figures," the report alleged.

In addition, the subcommittee criticized the Department of Labor for having "no effective system to monitor compliance with" ERISA. The report said reporting and disclosure forms required by the law "are of little or no use because they omit significant information such as full disclosure of vendors and subcontractors, and they are not uniformly reviewed nor catalogued by DOL."

A Labor Department spokesman said the department is conducting criminal and civil investigations of employee benefit plans maintained by units of the international union.

In 1977, the department reached a settlement with the pension trust fund of one such unit, the Southern Nevada Culinary (Workers) and Bartenders. That settlement required an independent asset manager be hired to handle the fund's real estate assets.

The department had charged loans were made imprudently to two companies owned by Morris Shenker, a St. Louis attorney who allegedly has close ties to organized crime. There is still litigation pending against Mr. Shenker and Ben Shmoutey, a fund trustee.

The subcommittee also threw a barb at the House of Representatives, which the report said has failed to pass the Labor Management Racketeering Act, although the Senate has approved the bill four times. That bill would make it easier to remove convicted union, management and employee benefit plan officials.

The report closely ties Edward Hanley, the hotel workers' union president, with organized crime figures, principally in Chicago. Earlier this year, Mr. Hanley refused to answer questions concerning the subcommittee's allegations, invoking the Fifth Amendment protection of not incriminating himself. Thirty-four individuals asserted Fifth Amendment privilege during the investigation, the report said.

According to federally protected witnesses, Mr. Hanley sought to gain control of the local funds at the direction of Chicago organized crime bosses.

One such witness, Joseph Hauser, who took part in setting up fraudulent insurance schemes involving the international union's health and welfare plan, testified, "They were concerned about how to control the money, what kinds of loans to make which would look good and still allow them to get money under the table."

At a 1973 meeting discussing how Mr. Hauser would obtain the fund's business, "Mr. Hanley emphasized that the 'Chicago mob was involved here' and had to be taken care of. I told him there would be a millions (sic) in premiums, enough for all," Mr. Hauser testified.

Herman Leavitt, the union's general secretary-treasurer who Mr. Hauser said was involved in the scheme, denied the allegations before the subcommittee.

A similar scheme involved the union's pension fund, according to witness Charles Allen. He testified he was present when Mr. Hanley said the union would "be able to loan out that money just like the Teamsters do, and there would be a hell of a lot of money on finder's fees."

Before the subcommittee, Ralph Natale, a union official whom Mr. Allen said was part of the plan, denied Mr. Allen's allegations.

In particular, the report cited two instances of mergers of local health and welfare plans into the international plan, despite the resistance of local union officials.

"Since 1974, continuous pressure has been placed upon the leadership of various locals (primarily the larger ones) to merge their funds," the report said. "In this regard, the subcommittee has learned of occasional threats and violence, and of the use of trusteeships and other procedural devices to achieve Hanley's desired goal of maximum participation."

Mr. Hauser testified, "In order to get locals around the country to comply, it was important that the international get control of the funds of what was at the time the largest Hotel Workers local in the country, Las Vegas."

According to the report, the late Elmer "Al" Bramlet, head of Las Vegas Local 226 of the Culinary Workers Union, opposed merging the local's benefit funds with the international's in 1973, a year before the international plan was created. A plan was devised to have Mr. Bramlet "sign over the health and welfare plan business to Al Pilotto, a known La Cosa Nostra figure who was allegedly acting on behalf of the Chicago mob," the report said.

According to Gramby Andrew Hanley (no known relation of Edward), who later was convicted of Mr. Bramlet's murder, Mr. Bramlet refused. Gramby Hanley also claimed a Las Vegas "enforcer" once knocked Mr. Bramlet off a bar stool, breaking several ribs and warning him he would be killed if he failed to cooperate.

After numerous disputes concerning payoffs, Mr. Bramlet was killed in early 1977. Following his death, Ben Schmoutey assumed control of the union local, and its health and welfare trust was merged into the international union's fund.

Other local health and welfare trusts, including that of Local 100 in New York, were merged into the international fund.

Several persons told subcommittee investigators that Edward Hanley was involved in pressuring this and other mergers, but other union officials have denied those allegations. ■

Glut of office . . .

Continued from page 5

downtown Manhattan, the vacancy rate in June was 6.6%.

Jim Nugent, first vice president with Coldwell Banker Capital Management Services, said rents in New York City used to be "going through the sky. Then, they flattened out, just like that." He said buildings are under construction in New York, and there could be additional vacancies.

Experts differ slightly about where to put the blame for the vacancies, but developers, banks and insurance companies are named most often.

According to the experts, developers have an insatiable appetite to build buildings as long as they can get the money.

Some banks, in turn, have money they are greedy to lend out for construction loan rates, five or more points above the bank prime rate.

Sometimes a developer will get a commitment from an investment fund if he builds a particular building and fills it with a certain percentage of tenants.

With the commitment in hand for permanent or take-out financing for a building, the developer runs to the bank and asks for, and gets, a loan. At the time the loan is made, vacancies are not plentiful. But when the building is finished, two or more years later, the vacancy rate is high and the developer can't get the percentage of occupants needed.

The officers of the investment fund then say they won't buy or provide permanent financing because, they tell the developer, of the high vacancy rate. The developer cuts rents, makes improvements and might even give two years' free rent on a five-year lease to get the tenants.

To keep tenants, buildings owned by pension fund investors keep rental rates flat or lower them or make other concessions to the tenant. Meanwhile, income on the fully occupied building drops or doesn't increase as fast as expected when the fund first bought the building.

Commenting on the oversupply, Coldwell Banker's Mr. Nugent said, "Sometimes the judgment isn't the best. People think banks and insurance companies don't make mistakes, but sometimes they make beauties."

Mr. Nugent said while rents are flattening in some cities, his company's investments are almost unscathed because they are generally investments in smaller office buildings. He said the big vacancies are often in the big office buildings.

Some real estate experts blamed insurance companies along with the banks. They said the banks and insurers get money they need to invest somewhere and will give low construction loan rates so the insurer can get 50% equity on a building.

One leading investor said some insurance companies make commitments to provide permanent financing, but then try to legally "wiggle out" of deals when the building is nearly completed.

Insurance companies deny this. One consultant said some pension fund investors don't like the re-entry into the real estate market of banks, insurance companies and syndicators.

Even though real estate professionals compare the current market to that of the mid-70s, at least one expert isn't worried.

Mr. Ballard noted it was in 1974-'75, when he was with Prudential Insurance Co. of America, that he made some of the best buys in real estate. He said there are good buys out there now for the people who know how to find them.

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